ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Management's Report on Internal Control over Financial Reporting

Management of New Jersey Resources Corporation (NJR or the Company) is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13A-15(f) and 15d-15(f) of the Securities and Exchange Act of 1934, as amended. The Company's internal control over financial reporting is a process designed to provide reasonable assurance to the Company's Management and Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

- improvements in the design of internal control over financial reporting related to the accounting of commodity transacting, resulting in the implementation of new and expanded processes and controls; and

Under the supervision and with the participation of the Company's management, including its principal executive officer and principal financial officer, management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of September 30, 2009. In making this assessment, management used the criteria for effective internal control over financial reporting described in the "Internal Control-Integrated Framework" set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the assessment, management concluded that, as of September 30, 2009, the Company's internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the Unites States.

The conclusions of the Company's principal executive officer and principal financial officer is based on the recognition that there are inherent limitations in all systems of internal control over financial reporting. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements, errors or fraud. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's independent registered public accounting firm, Deloitte & Touche LLP, has issued its report on the effectiveness of the Company's internal control over financial reporting as of September 30, 2009, which appears herein.

November 30, 2009

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
New Jersey Resources Corporation:

We have audited the accompanying consolidated balance sheets and consolidated statements of capitalization of New Jersey Resources Corporation and subsidiaries (the "Company") as of September 30, 2009 and 2008, and the related consolidated statements of income, common stock equity, comprehensive income, and cash flows for each of the three years in the period ended September 30, 2009. Our audits also included the financial statement schedules listed in the Index at Item 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2009, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of September 30, 2009, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 30, 2009 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP
Parsippany, New Jersey

November 30, 2009

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
of New Jersey Resources Corporation

We have audited the internal control over financial reporting of New Jersey Resources Corporation and subsidiaries (the "Company") as of September 30, 2009, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2009, based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedules as of and for the year ended September 30, 2009 of the Company and our report dated November 30, 2009 expressed an unqualified opinion on those financial statements and financial statement schedules.

/s/ DELOITTE & TOUCHE LLP
Parsippany, New Jersey

November 30, 2009

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

CONSOLIDATED STATEMENTS OF INCOME

(Thousands)

Fiscal Years Ended September 30,	**2009**	2008	2007
OPERATING REVENUES	**$ 2,592,460**	$ 3,816,210	$ 3,021,765
OPERATING EXPENSES			
Gas purchases	**2,245,169**	3,330,756	2,625,560
Operation and maintenance	**149,151**	148,384	136,601
Regulatory rider expenses	**44,992**	39,666	37,605
Depreciation and amortization	**30,328**	38,464	36,235
Energy and other taxes	**74,750**	65,602	62,499
Total operating expenses	**2,544,390**	3,622,872	2,898,500
OPERATING INCOME	**48,070**	193,338	123,265
Other income	**4,409**	4,368	4,294
Interest expense, net of capitalized interest	**21,014**	25,811	27,613
INCOME BEFORE INCOME TAXES AND EQUITY IN EARNINGS OF AFFILIATES	**31,465**	171,895	99,946
Income tax provision	**8,488**	64,715	38,675
Equity in earnings of affiliates, net of tax	**4,265**	1,988	1,662
NET INCOME	**$ 27,242**	$ 109,168	$ 62,933
EARNINGS PER COMMON SHARE			
BASIC	**$ 0.65**	$ 2.61	$ 1.50
DILUTED	**$ 0.64**	$ 2.59	$ 1.49
DIVIDENDS PER COMMON SHARE	**$ 1.24**	$ 1.11	$ 1.01
WEIGHTED AVERAGE SHARES OUTSTANDING			
BASIC	**42,119**	41,878	41,855
DILUTED	**42,465**	42,176	42,113

New Jersey Resources Corporation
Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Thousands)

Fiscal Years Ended September 30,	**2009**	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	**$ 27,242**	$ 109,168	$ 62,933
Adjustments to reconcile net income to cash flows from operating activities:			
Unrealized loss (gain) on derivative instruments	**64,465**	(12,929)	58,394
Depreciation and amortization	**31,142**	39,367	36,536
Impairment charge	**—**	—	4,000
Allowance for equity used during construction	**(568)**	—	—
Allowance for bad debt expense	**9,739**	4,530	3,348
Deferred income taxes	**(31,435)**	13,715	16,127
Manufactured gas plant remediation costs	**(12,867)**	(18,958)	(20,171)
Equity in earnings from investments, net of distributions	**2,924**	(52)	(556)
Cost of removal – asset retirement obligations	**(943)**	(969)	(880)
Contributions to postemployment benefit plans	**(27,676)**	(1,014)	(685)
Changes in:			
Components of working capital	**154,271**	(35,992)	(66,984)
Other noncurrent assets	**5,886**	(4,591)	23,707
Other noncurrent liabilities	**45,061**	40,093	6,637
Cash flows from operating activities	**267,241**	132,368	122,406
CASH FLOWS USED IN INVESTING ACTIVITIES			
Expenditures for			
Utility plant	**(75,107)**	(72,329)	(60,747)
Real estate properties and other	**(388)**	(1,117)	(2,777)
Cost of removal	**(6,139)**	(6,833)	(6,310)
Investments in equity investees	**(43,843)**	(23,662)	(54,978)
Release from restricted cash construction fund	**4,200**	—	4,300
Proceeds from asset sales and available for sale investments	**—**	—	1,792
Cash flows used in investing activities	**(121,277)**	(103,941)	(118,720)
CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES			
Proceeds from issuance of common stock	**16,441**	16,028	18,515
Proceeds from long-term debt	**—**	125,000	49,850
Tax benefit from stock options exercised	**1,686**	630	1,761
Proceeds from sale-leaseback transaction	**6,268**	7,485	5,482
Payments of long-term debt	**(60,362)**	(5,565)	(4,031)
Purchases of treasury stock	**(30,670)**	(11,039)	(9,024)
Payments of common stock dividends	**(50,967)**	(45,201)	(41,869)
Net payments of short-term debt	**(34,800)**	(78,279)	(24,221)
Cash flows (used in) from financing activities	**(152,404)**	9,059	(3,537)
Change in cash and temporary investments	**(6,440)**	37,486	149
Cash and temporary investments at beginning of year	**42,626**	5,140	4,991
Cash and temporary investments at end of year	**$ 36,186**	$ 42,626	$ 5,140
CHANGES IN COMPONENTS OF WORKING CAPITAL			
Receivables	**$ 117,733**	$ (98,326)	$ 1,958
Inventories	**169,157**	(50,747)	54,301
Recovery of gas costs	**64,197**	(37,577)	7,873
Gas purchases payable	**(193,487)**	134,335	(96,618)
Prepaid and accrued taxes	**(8,047)**	767	(16,160)
Accounts payable and other	**(5,593)**	(1,117)	9,152
Restricted broker margin accounts	**(14,045)**	(15,003)	19,411
Customers' credit balances and deposits	**9,760**	36,195	(33,698)
Other current assets	**14,596**	(4,519)	(13,203)
Total	**$ 154,271**	$ (35,992)	$ (66,984)
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION			
Cash paid for			
Interest (net of amounts capitalized)	**$ 18,866**	$ 25,877	$ 26,403

Income taxes	**$ 34,298**	$ 28,763	$ 52,549

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

CONSOLIDATED BALANCE SHEETS

ASSETS

(Thousands) September 30,	**2009**	2008
PROPERTY, PLANT AND EQUIPMENT		
Utility plant, at cost	**$ 1,438,945**	$ 1,366,237
Real estate properties and other, at cost	**30,195**	29,808
	1,469,140	1,396,045
Accumulated depreciation and amortization	**(404,701)**	(378,759)
Property, plant and equipment, net	**1,064,439**	1,017,286
CURRENT ASSETS		
Cash and temporary investments	**36,186**	42,626
Customer accounts receivable		
Billed	**101,945**	227,132
Unbilled revenues	**8,616**	9,417
Allowance for doubtful accounts	**(6,064)**	(4,580)
Regulatory assets	**5,878**	51,376
Gas in storage, at average cost	**297,464**	467,537
Materials and supplies, at average cost	**6,026**	5,110
Prepaid state taxes	**37,886**	37,271
Derivatives, at fair value	**131,070**	227,224
Restricted broker margin accounts	**26,250**	41,277
Deferred taxes	**20,801**	—
Other	**18,131**	15,181
Total current assets	**684,189**	1,119,571
NONCURRENT ASSETS		
Investments in equity investees	**160,508**	115,981
Regulatory assets	**391,025**	340,670
Derivatives, at fair value	**9,536**	24,497
Restricted cash construction fund	**—**	4,200
Other	**11,333**	13,092
Total noncurrent assets	**572,402**	498,440
Total assets	**$ 2,321,030**	$ 2,635,297

New Jersey Resources Corporation
Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

CAPITALIZATION AND LIABILITIES

(Thousands) September 30,	**2009**	2008
CAPITALIZATION		
Common stock equity	$ **689,726**	$ 728,068
Long-term debt	**455,492**	455,117
Total capitalization	**1,145,218**	1,183,185
CURRENT LIABILITIES		
Current maturities of long-term debt	**6,510**	60,119
Short-term debt	**143,400**	178,200
Gas purchases payable	**130,112**	323,600
Accounts payable and other	**44,448**	61,735
Dividends payable	**13,026**	11,776
Deferred and accrued taxes	**3,475**	24,720
Regulatory liabilities	**36,203**	—
New Jersey clean energy program	**10,920**	3,056
Derivatives, at fair value	**94,853**	146,320
Restricted broker margin accounts	—	29,072
Customers' credit balances and deposits	**73,218**	63,455
Total current liabilities	**556,165**	902,053
NONCURRENT LIABILITIES		
Deferred income taxes	**243,593**	240,414
Deferred investment tax credits	**6,870**	7,192
Deferred revenue	**8,203**	9,090
Derivatives, at fair value	**6,250**	25,016
Manufactured gas plant remediation	**146,700**	120,730
Postemployment employee benefit liability	**89,035**	52,272
Regulatory liabilities	**56,450**	63,419
New Jersey clean energy program	**28,449**	—
Asset retirement obligation	**25,097**	24,416
Other	**9,000**	7,510
Total noncurrent liabilities	**619,647**	550,059
Commitments and contingent liabilities (Note 13)		
Total capitalization and liabilities	**$ 2,321,030**	$ 2,635,297

New Jersey Resources Corporation
Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

CONSOLIDATED STATEMENTS OF CAPITALIZATION

(Thousands, except share amounts)

September 30,			**2009**	2008
COMMON STOCK EQUITY				
Common stock, $2.50 par value; authorized 75,000,000 shares; outstanding 2009–43,762,475; 2008–43,439,329			**$ 109,386**	$ 108,599
Premium on common stock			**249,219**	237,001
Accumulated other comprehensive (loss), net of tax			**(10,052)**	(2,714)
Treasury stock at cost and other; shares 2009–2,176,724; 2008–1,381,735			**(84,598)**	(65,564)
Retained earnings			**425,771**	450,746
Total Common stock equity			**689,726**	728,068
LONG-TERM DEBT				
New Jersey Natural Gas				
First mortgage bonds:		Maturity date:		
6.27%	Series X	November 1, 2008	**—**	30,000
Variable	Series AA	August 1, 2030	**25,000**	25,000
Variable	Series BB	August 1, 2030	**16,000**	16,000
6.88%	Series CC	October 1, 2010	**20,000**	20,000
Variable	Series DD	September 1, 2027	**13,500**	13,500
Variable	Series EE	January 1, 2028	**9,545**	9,545
Variable	Series FF	January 1, 2028	**15,000**	15,000
Variable	Series GG	April 1, 2033	**18,000**	18,000
5%	Series HH	December 1, 2038	**12,000**	12,000
4.50%	Series II	August 1, 2023	**10,300**	10,300
4.60%	Series JJ	August 1, 2024	**10,500**	10,500
4.90%	Series KK	October 1, 2040	**15,000**	15,000
5.60%	Series LL	May 15, 2018	**125,000**	125,000
4.77% Unsecured senior notes		March 15, 2014	**60,000**	60,000
Capital lease obligation–Buildings		June 1, 2021	**25,620**	26,371
Capital lease obligation–Meters		Various dates	**35,546**	34,020
Capital lease obligation–Equipment		December 1, 2013	**991**	—
Less: Current maturities of long-term debt			**(6,510)**	(35,119)
Total New Jersey Natural Gas long-term debt			**405,492**	405,117
New Jersey Resources				
3.75% Unsecured senior notes		March 15, 2009	**—**	25,000
6.05% Unsecured senior notes		September 24, 2017	**50,000**	50,000
Less: Current maturities of long-term debt			**—**	(25,000)
Total New Jersey Resources long-term debt			**50,000**	50,000
Total Long-term debt			**455,492**	455,117
Total Capitalization			**$ 1,145,218**	$ 1,183,185

New Jersey Resources Corporation
Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

CONSOLIDATED STATEMENTS OF COMMON STOCK EQUITY

(Thousands)	Number of Shares	Common Stock	Premium on Common Stock	Accumulated Other Comprehensive (Loss) Income	Treasury Stock And Other	Retained Earnings	Total
Balance at September 30, 2006	41,438	$ 107,612	$ 218,300	$ 2,742	$ (65,039)	$ 366,247	$ 629,862
Net income						62,933	62,933
Other comprehensive income				491			491
Transition adjustment - postemployment benefit obligation, net of tax				(4,164)			(4,164)
Common stock issued under stock plans	684	611	6,510		11,408		18,529
Tax benefits from stock plans			1,761				1,761
Cash dividend declared						(42,446)	(42,446)
Treasury stock and other	(510)				(16,317)		(16,317)
Balance at September 30, 2007	41,612	108,223	226,571	(931)	(69,948)	386,734	650,649
Net income						109,168	109,168
Other comprehensive (loss)				(1,783)			(1,783)
Common stock issued under stock plans	555	376	9,800		6,212		16,388
Tax benefits from stock plans			630				630
Transition adjustment - uncertain tax positions						1,188	1,188
Cash dividend declared						(46,344)	(46,344)
Treasury stock and other	(109)				(1,828)		(1,828)
Balance at September 30, 2008	42,058	108,599	237,001	(2,714)	(65,564)	450,746	728,068
Net income						**27,242**	**27,242**
Other comprehensive (loss)				**(7,338)**			**(7,338)**
Common stock issued under stock plans	**636**	**787**	**10,532**		**9,096**		**20,415**
Tax benefits from stock plans			**1,686**				**1,686**
Cash dividend declared						**(52,217)**	**(52,217)**
Treasury stock and other	**(1,108)**				**(28,130)**		**(28,130)**
Balance at September 30, 2009	**41,586**	**$ 109,386**	**$ 249,219**	**$ (10,052)**	**$ (84,598)**	**$ 425,771**	**$ 689,726**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Thousands) **Year ended September 30,**	**2009**	2008	2007

Net income	**$ 27,242**	$ 109,168	$ 62,933
Unrealized gain on available for sale securities, net of tax of $37, $(82) and $(456), respectively [1]	**(52)**	118	634
Net unrealized (loss) on derivatives, net of tax of $74, $81 and $98, respectively	**(105)**	(122)	(143)
Adjustment to postemployment benefit obligation, net of tax of $4,856 and $1,213, respectively	**(7,181)**	(1,779)	—
Other comprehensive (loss) income	**(7,338)**	(1,783)	491
Comprehensive income	**$ 19,904**	$ 107,385	$ 63,424

(1) Available for sale securities are included in Investments in equity investees in the Consolidated Balance Sheets.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Business

New Jersey Resources Corporation (NJR or the Company) has two principal subsidiaries and operates two reportable business segments. New Jersey Natural Gas (NJNG), the Company's principal utility subsidiary, is a public utility that provides natural gas utility service to approximately 487,000 retail customers in central and northern New Jersey and comprises the Natural Gas Distribution segment. NJNG is subject to rate regulation by the New Jersey Board of Public Utilities (BPU).

NJR Energy Services (NJRES) is the Company's principal non-utility subsidiary that maintains and trades a portfolio of natural gas storage and transportation positions and provides wholesale energy and energy management services to customers from states in the Gulf Coast and Mid-Continent regions to the New England region, the West Coast and Canada. NJRES comprises the Energy Services segment.

Other subsidiaries of the Company, all of which comprise the Company's retail and other operations (Retail and Other), include NJR Energy Holdings, which invests primarily in energy-related ventures through its subsidiary, NJNR Pipeline (Pipeline), which holds the Company's 5.53 percent interest in Iroquois Gas and Transmission System, L.P. (Iroquois), a 412-mile interstate natural gas pipeline which connects from the northern New York border with Canada to Long Island, NY; NJR Storage Holdings, which holds the Company's 50 percent interest in Steckman Ridge GP, LLC and Steckman Ridge, LP (collectively, Steckman Ridge), a natural gas storage facility that is being developed with a partner in western Pennsylvania; NJR Energy, which invests in energy-related ventures; NJR Clean Energy Ventures, a company that will invest in clean energy projects; NJR Home Services (NJRHS), which provides service, sales and installation of appliances; NJR Plumbing Services (NJRPS), which provides plumbing repair and installation services, Commercial Realty and Resources (CR&R), which holds and develops commercial real estate; and NJR Service Corporation (NJR Service), which provides support services to the various NJR businesses.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated.

Other financial investments or contractual interests that lack the characteristics of a voting interest entity, which are commonly referred to as variable interest entities, are evaluated by NJR to determine if it can absorb a majority of expected losses or returns and, therefore, would be considered a controlling financial interest that would NJR would have to consolidate. Based on those evaluations, NJR has determined that it does not have any investments in variable interest entities as of September 30, 2009.

Regulatory Assets & Liabilities

Under cost-based regulation, regulated utility enterprises generally are permitted to recover their operating expenses and earn a reasonable return on their utility investment.

NJNG maintains its accounts in accordance with the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts as prescribed by the BPU and in accordance with the *Regulated Operations* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As a result of the impact of the ratemaking process and regulatory actions of the BPU, NJNG is required to recognize the economic effects of rate regulation. Accordingly, NJNG capitalizes or defers certain costs that are expected to be recovered from its customers as regulatory assets and recognizes certain obligations representing probable future expenditures as regulatory liabilities in the Consolidated Balance Sheets. See Note 2. *Regulations*, for a more detailed description of NJNG's regulatory assets and liabilities.

Gas in Storage

Gas in storage is reflected at average cost in the Consolidated Balance Sheets, and represents natural gas and liquefied natural gas that will be utilized in the ordinary course of business.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

The following table summarizes Gas in storage by company as of September 30,

	2009		2008	
($ in thousands)	**Assets**	**Bcf**	Assets	Bcf
NJNG	**$ 175,201**	**21.9**	$ 189,828	22.1
NJRES	**122,263**	**36.3**	277,709	28.9
Total	**$ 297,464**	**58.2**	$ 467,537	51.0

Demand Fees

For the purpose of securing adequate storage and pipeline capacity, NJRES and NJNG enter into storage and pipeline capacity contracts, which require the payment of certain demand charges in order to maintain the ability to access such natural gas storage or pipeline capacity, during a fixed time period, which generally ranges from one to five years. Demand charges are based on established rates as regulated by FERC. These demand charges represent commitments to pay storage providers or pipeline companies for the right to store and transport natural gas utilizing their respective assets. The following table summarizes the demand charges, which are expensed ratably over the term of the contract and, are included as a component of Gas purchases in the Consolidated Statements of Income:

(Millions)	**2009**	2008	2007
NJRES	**$ 114.2**	$ 115.9	$ 134.1
NJNG	**83.2**	73.9	73.9
Total	**$ 197.4**	$ 189.8	$ 208.0

NJNG recovers its costs associated with demand fees as part of its wholesale gas commodity component of its Basic Gas Supply Service (BGSS), a component of its tariff.

Derivative Instruments

NJR accounts for its financial instruments, such as futures, options and swaps, as well as its physical commodity contracts related to the purchase and sale of natural gas at NJRES, as derivatives, and, therefore, recognizes them at fair value in the Consolidated Balance Sheets. NJR's unregulated subsidiaries record changes in the fair value of its derivatives in Gas purchases or Operating revenues, as appropriate, on the Consolidated Statements of Income. The *Derivatives and Hedging* Topic of the ASC also provides for an exception ("normal scope exception") for qualifying physical commodity contracts that are intended for purchases and sales during the normal course of business and for which physical delivery is probable. NJR applies this exception to physical commodity contracts at NJNG and NJR Energy and, therefore, does not record changes in the fair value of these contracts until the contract settles and the underlying natural gas is delivered. NJNG's derivatives used to economically hedge its natural gas purchasing activities are recoverable through its BGSS, a component of its tariff. Accordingly, the offset to the change in fair value of these derivatives is recorded as a Regulatory asset or liability on the Consolidated Balance Sheets.

See *Note 3. Derivative Instruments* for additional details regarding natural gas trading and hedging activities.

NJR has not designated any derivatives as fair value hedges or cash flow hedges as of September 30, 2009 and 2008.

Fair values of exchange-traded instruments, including futures, swaps and certain options, are based on actively quoted market prices. Fair values are subject to change in the near term and reflect management's best estimate based on various factors. In establishing the fair value of commodity contracts that do not have quoted prices, such as physical contracts, and over-the-counter options and swaps, and certain embedded derivatives, management uses available market data and pricing models to estimate fair values. Estimating fair values of instruments that do not have quoted market prices requires management's judgment in determining amounts which could reasonably be expected to be received from, or paid to, a third party in settlement of the instruments. These amounts could be materially different from amounts that might be realized in an actual sale transaction.

Revenues

Revenues from the sale of natural gas to customers of NJNG are recognized in the period that gas is delivered and consumed by customers, including an estimate for unbilled revenue.

Unbilled revenues are associated solely with NJNG. Natural gas sales to individual customers are based on their meter readings, which are performed on a systematic basis throughout the month. At the end of each month, the amount of natural gas delivered to each customer after the last meter reading is estimated, and NJNG recognizes unbilled revenues related to these amounts. The unbilled revenue estimates are based on monthly send-out amounts, estimated customer usage by customer type, weather effects, unaccounted-for gas and the most recent rates.

Certain derivative instruments at NJRES and NJR Energy (encompassing financial futures, options or swaps) are designed to economically hedge the cash flows of a forecasted transaction. These derivative instruments and commodity contracts at NJRES are recorded at fair value on the Consolidated Balance Sheets, and any change in fair value is included as a component of Gas purchases or Operating revenues, as appropriate, on the Consolidated Statements of Income.

NJNG has elected and continues to elect the normal scope exception related to its off-system sales of natural gas and consequently recognizes the revenue at settlement of the contract for delivery of natural gas. Derivative instruments at NJNG are recorded at fair value on the Consolidated Balance Sheets with corresponding changes in fair value also being recorded on the Consolidated Balance Sheets as regulatory assets or liabilities.

Revenues from all other activities are recorded in the period during which products or services are delivered and accepted by customers, or over the related contractual term.

Gas Purchases

NJNG's tariff includes a component for BGSS, which is designed to allow NJNG to recover the commodity cost of natural gas through rates charged to its customers and is normally revised on an annual basis. As part of computing its BGSS rate, NJNG projects its cost of natural gas, net of supplier refunds, the impact of hedging activities and credits from nonfirm sales and transportation activities, and recovers or refunds the difference, if any, of such projected costs compared with those included in rates through levelized monthly charges to customers. Any underrecoveries or overrecoveries are deferred and, subject to BPU approval, reflected in the BGSS in subsequent years.

NJRES' gas purchases represent the total commodity contract cost, recognized upon completion of the transaction, as well as realized gains and losses of settled derivative instruments, both for physical purchase contracts and all financial contracts and unrealized gains and losses on the change in fair value of financial derivative instruments that have not yet settled.

Income Taxes

The Company computes income taxes using the liability method, whereby deferred income taxes are generally determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. See *Note 12. Income Taxes.*

In addition, NJR evaluates its tax positions to determine the appropriate accounting and recognition of future obligations associated with unrecognized tax benefits.

Investment tax credits have been deferred and are being amortized as a reduction to the tax provision over the average lives of the related properties.

Capitalized and Deferred Interest

The Company's capitalized interest totaled $3.2 million in fiscal 2009, $4.6 million in fiscal 2008 and $3.2 million in fiscal 2007 with average interest rates of 4.8 percent, 4.7 percent and 5.4 percent, respectively. Included in the Consolidated Balance Sheets are capitalized amounts associated with the debt and equity components of NJNG's Allowance for funds used during construction, (AFUDC), which are recorded in Utility plant, as well as capitalized interest recorded in Real estate properties and other and Investments in equity investees. Corresponding amounts recognized in Interest expense and Other income, as appropriate, in the Consolidated Statements of Income are as follows:

	September 30,		
($ in thousands)	**2009**	2008	2007
AFUDC – Utility plant	**$ 1,316**	$ 1,129	$ 1,259
Weighted average interest rates	**4.33%**	4.80%	5.36%
Capitalized interest – Real estate properties and other	**—**	$ 79	$ 263
Weighted average interest rates	**—**	3.70%	5.45
Capitalized interest – Investments in equity investees	**$ 1,909**	$ 3,355	$ 1,687
Weighted average interest rates	**5.27%**	5.70%	5.41

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

The AFUDC amounts shown in the table for fiscal years ended September 30, 2008 and 2007, include an interest cost component only. Effective October 3, 2008, NJNG settled its base rate case and the BPU issued its final Rate Order. As a result, certain changes in the design of NJNG's base rates included the ability for NJNG to recover an incremental cost of equity component in its AFUDC calculation during periods when its short-term debt balances are lower than its construction work in progress. The AFUDC noted above for fiscal 2009 includes these allowed amounts in accordance with the provisions of the Rate Order. Capitalized amounts associated with NJNG's equity component, of $568,000 are included in Other income in the Consolidated Statements of Income. See *Note 2. Regulation* .

NJR, through its subsidiary CR&R, capitalizes interest associated with the development and construction of its commercial buildings. Also included above is capitalized interest associated with NJR's Investment in equity investees, specifically the acquisition, development and construction of the Steckman Ridge natural gas storage facility, which became partially operational in fiscal 2009 and is expected to be fully operational in fiscal 2010 (see *Note 5. Investments in Equity Investees).*

Pursuant to a BPU order, NJNG is permitted to recover carrying costs on uncollected balances related to Societal Benefits Clause (SBC) program costs, which include NJCEP, RA and USF expenditures. See *Note 2. Regulation* . Accordingly, Other income included $2 million, $2.6 million and $3 million of deferred interest related to these SBC program costs in fiscal 2009, 2008 and 2007, respectively.

Sales Tax Accounting

Sales tax and Transitional Energy Facilities Assessment (TEFA) are collected from customers and presented in both operating revenues and operating expenses on the Consolidated Statements of Income as follows:

	September 30,		
(Millions)	**2009**	2008	2007
Sales Tax	**$ 58.7**	$ 51.0	$ 48.7
TEFA	**8.9**	8.4	8.5
Total	**$ 67.6**	$ 59.4	$ 57.2

Statements of Cash Flows

For purposes of reporting cash flows, all temporary investments with original maturities of three months or less are considered cash equivalents.

Utility Plant and Depreciation

Regulated property, plant and equipment are stated at original cost. Costs include direct labor, materials and third-party construction contractor costs, AFUDC and certain indirect costs related to equipment and employees engaged in construction. Upon retirement, the cost of depreciable regulated property, plus removal costs less salvage, is charged to accumulated depreciation with no gain or loss recorded.

Depreciation is computed on a straight-line basis for financial statement purposes, using rates based on the estimated average lives of the various classes of depreciable property. The composite rate of depreciation was 2.34 percent of average depreciable property in fiscal 2009, 3.04 percent in fiscal 2008 and 3.02 percent in fiscal 2007. Pursuant to the final rate order October 3, 2008, commencing in fiscal 2009, the BPU has lowered the depreciation expense to be charged in base rates to 2.34 percent for NJNG. *Note 2. Regulation –Base Rate Order*.

Property, plant and equipment was comprised of the following as of September 30, 2009 and 2008:

Property Classifications	**Estimated Useful Lives**	**2009**	2008
Distribution Facilities	38 to 74 years	**$ 1,157,585**	$ 1,099,896
Transmission Facilities	35 to 56 years	**181,908**	176,346
Storage Facilities	34 to 47 years	**40,969**	34,818
All other property	5 to 35 years	**88,678**	84,985
		1,469,140	1,396,045
Accumulated depreciation and amortization		**(404,701)**	(378,759)
Net Property, plant and equipment		**$ 1,064,439**	$ 1,017,286

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Impairment of Long-Lived Assets

The Company reviews the carrying amount of an asset for possible impairment whenever events or changes in circumstances indicate that such amount may not be recoverable.

For the fiscal years ended September 30, 2009, 2008 and 2007, no other circumstances indicating impairment were identified.

Available for Sale Securities

Included in Investments in equity investees on the Consolidated Balance Sheets are certain investments in equity securities that have a fair value of $7.9 million and $8.0 million as of September 30, 2009 and 2008, respectively. Unrealized (losses) gains associated with these equity securities, which are included as a part of Accumulated other comprehensive income, a component of Common stock equity, were approximately $(89,000) ($(52,000), after tax) and $200,000 ($118,000, after tax) for the fiscal years ended September 30, 2009 and 2008, respectively.

Equity in Earnings

The Company accounts for its investments in Iroquois and Steckman Ridge using the equity method and records its share of earnings net of tax as Equity in earnings in the Consolidated Statements of Income. Iroquois is a limited partnership, which owns and operates a 412-mile interstate natural gas transmission pipeline providing service to local gas distribution companies, electric utilities and electric power generators, as well as marketers and other end-users, directly or indirectly, by connecting with pipelines and interconnects throughout the northeastern United States. Taxes netted in Equity in earnings from Iroquois are $1.8 million, $1.3 million and $1.1 million and are included in the Consolidated Statements of Income for the fiscal years ended September 30, 2009, 2008 and 2007, respectively. Steckman Ridge is a 17.7 billion cubic foot (Bcf) natural gas storage facility, with up to 12 Bcf of working capacity, which was jointly developed and constructed with a partner in western Pennsylvania. Taxes netted in Equity in earnings from Steckman Ridge were $1.1 million for fiscal 2009.

Common Stock Equity

NJR issued additional shares in March 2008, in the form of a 3 for 2 stock split. Share-related information has been adjusted on a retroactive basis throughout this report in periods prior to March 31, 2008. As well, Common stock and Premium on common stock amounts have been adjusted as of the earliest period presented in the Consolidated Statements of Capitalization and Consolidated Statements of Common Stock Equity.

Accumulated Other Comprehensive Income

As of September 30, 2009 and 2008, Accumulated other comprehensive (loss) was comprised of the following balances, net of tax:

(Thousands)	**2009**	2008
Unrealized gain on available for sale securities	**$ 2,948**	$ 3,000
Net unrealized gain on derivatives	**124**	229
Postemployment benefit obligation adjustment	**(13,124)**	(5,943)
Total current	**$ (10,052)**	$ (2,714)

Customer Accounts Receivable

Customer accounts receivable include outstanding billings from the following subsidiaries as of September 30:

($ in thousands)	**2009**		2008	
Customer accounts receivable - Billed:				
NJNG	**$ 21,239**	**21%**	$ 21,398	9%
NJRES	**73,451**	**72**	198,902	88
Retail and Other	**7,255**	**7**	6,832	3
Total	**$ 101,945**	**100%**	$ 227,132	100%

Asset Retirement Obligations (ARO)

NJR recognizes a liability for its AROs based on the fair value of the liability when incurred, which is generally upon acquisition, construction, development and/or through the normal operation of the asset. Concurrently, NJR also capitalizes an asset retirement cost by increasing the carrying amount of the related asset by the same amount as the liability. In periods subsequent to the initial measurement, NJR is required to recognize changes in the liability resulting from the passage of time (accretion) or due to revisions to either timing or the amount of the originally estimated cash flows to settle the conditional asset retirement obligation.

Pension and Postemployment Plans

NJR has two noncontributory defined pension plans covering substantially all employees, including officers. Benefits are based on each employee's years of service and compensation. NJR's funding policy is to contribute annually to these plans at least the minimum amount required under the Employee Retirement Income Security Act (ERISA) of 1974, as amended, and not more than can be deducted for federal income tax purposes. Plan assets consist of equity securities, fixed-income securities and short-term investments. NJR contributed $25.6 million in aggregate to the plans in fiscal 2009. An additional contribution of $4.4 million was made on October 1, 2009. There were no contributions to the pension plans in fiscal 2008 and 2007.

NJR also provides two primarily noncontributory medical and life insurance plans for eligible retirees and dependents. Medical benefits, which make up the largest component of the plans, are based upon an age and years-of-service vesting schedule and other plan provisions. Funding of these benefits is made primarily into Voluntary Employee Beneficiary Association trust funds. NJR contributed $1.9 million, $1.0 million and $685,000 in aggregate to these plans in fiscal 2009, 2008 and 2007, respectively.

Foreign Currency Transactions

NJRES' market area includes Canadian delivery points and as a result it incurs certain natural gas commodity costs and demand fees that are denominated in Canadian dollars. Gains or losses that occur as a result of these foreign currency transactions are reported as a component of Gas purchases in the Consolidated Statements of Income and were not material during the fiscal years ended September 30, 2009, 2008 and 2007.

Accounting Standards

On July 1, 2009, the FASB ASC became effective as the single source of authoritative U.S. generally accepted accounting principles (GAAP) for nongovernmental entities. The ASC restructured GAAP from a standards based model to a topical based model. All previously issued accounting and reporting standards, with limited exceptions, are superseded and now organized within approximately 90 accounting and reporting topics. Under the ASC, new standards will be issued in the form of Accounting Standards Updates (ASU).

ASC Topic 105, *Generally Accepted Accounting Principles*, clarifies that the GAAP hierarchy will include only two levels of GAAP: authoritative and nonauthoritative. The ASC became effective for financial statements issued for interim and annual periods after September 15, 2009. There was no impact to NJR's financial statements upon adoption, however, NJR has modified certain disclosures surrounding GAAP guidance throughout this report to reflect the appropriate references in accordance with the ASC.

Recently Issued Standards and Updates:

Topic 320, *Investments—Debt and Equity Securities:*

In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2 *Recognition and Presentation of Other-Than-Temporary Impairments (ASC 320-10-65-1)* . The FSP improves presentation and disclosures in financial statements for other-than-temporary impairments of debt and equity securities and expands on the factors companies should consider when evaluating debt securities for other-than-temporary impairments. The change is effective for interim and annual reporting periods ending after June 15, 2009. There was no impact to NJR's statement of financial position or results of operations or cash flows as a result of NJR's adoption of the FSP.

Topic 715, *Compensation—Retirement Benefits:*

On December 30, 2008, the FASB issued FSP 132(R)-1, *Employers' Disclosures about Postretirement Benefit Plan Assets (ASC 715-20-65-2),* which requires additional disclosures surrounding postretirement benefit plan assets. Specifically, the objective is to provide users of financial statements information related to a company's plan assets, investment policies and strategies and significant concentrations of risk. In addition, certain disclosure provisions will be applied, including those related to inputs and valuation techniques that are used to measure plan assets and the effect of level three measurements on changes in plan assets. The revision is effective for fiscal years ending after December 15, 2009. As it is a disclosure only standard, it will have no impact on the Company's statement of financial position or results of operations or cash flows.

Topic 810, *Consolidation:*

On December 4, 2007, the FASB issued SFAS No. 160, *Non-controlling Interests in Consolidated Financial Statements . (ASC 810-10-65-1)* , to improve the relevance, comparability and transparency of the financial information that a reporting entity provides in its consolidated financial statements. This Statement applies to all entities that prepare consolidated financial statements, except not-for-profit organizations, but will affect only those entities that have an outstanding non-controlling interest in one or more subsidiaries. The revision clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements and that a parent company must recognize a gain or loss in net income when a subsidiary is deconsolidated. The revision is effective for fiscal years beginning after December 15, 2008, and early adoption is prohibited. The Company has concluded that this statement will have no impact on its statement of financial position or results of operations or cash flows.

Topic 815, *Derivatives and Hedging:*

On April 10, 2007, the FASB issued FASB Staff Position (FSP) No. FIN 39-1 (FSP FIN 39-1), *Offsetting of Amounts Related to Certain Contracts — an interpretation of APB Opinion No. 10 and FASB Statement No. 105 (ASC 815-10-45),* providing additional guidance for parties that are subject to master netting arrangements. Specifically, for transactions that are executed with the same counterparty, it permits companies to offset the fair values of amounts recognized for derivatives as well as the related fair value amounts of cash collateral receivables or payables, when certain conditions apply. The standard became effective for fiscal years beginning after November 15, 2007. As NJR's policy has been to present its derivative positions and any receivables or payables with the same counterparty on a gross basis, this revision had no impact on its statement of financial position or results of operations or cash flows.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities (ASC 815-10-65-1)* , The revision requires enhanced qualitative and quantitative disclosures on the objectives and accounting for derivatives and related hedging activities, as well as their impacts on the financial statements. NJR adopted the standard effective January 1, 2009. As the provisions only require additional disclosures, there was no impact to NJR's statement of financial position or results of operations or cash flows upon adoption. See *Note 3. Derivative Instruments* for a description of NJR's derivative activities, including the additional disclosures required by ASC 815.

Topic 820, *Fair Value Measurements and Disclosures:*

Effective October 1, 2008 NJR adopted SFAS No. 157, *Fair Value Measurements (ASC 820)* for its financial assets and liabilities, with the exception of its pension assets. On October, 1, 2009, NJR will prospectively apply the provisions of ASC 820 to its non-financial assets and liabilities that are not measured at least annually. In addition, the provisions of ASC 820 will be applied to NJR's annual pension disclosures in accordance with ASC No. 715, *Compensation—Retirement Benefits* (formerly FSP 132(R)-1), beginning in fiscal 2010.

ASC 820 defines fair value as the amount that would be exchanged to sell an asset or transfer a liability in an orderly transaction between market participants, and establishes a fair value hierarchy of market and unobservable data that is used to develop pricing assumptions. The adoption of ASC 820 did not have a material impact on NJR's financial position or results of operations. See *Note 4. Fair Value* , for more information on the adoption of ASC 820, as well as the required disclosures.

In April 2009, the FASB issued FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (ASC 815-10-65-4)* . The revision provides additional guidance for estimating fair value in accordance with ASC 820 when the volume and level of activity for the asset or liability have significantly decreased. In addition, it includes guidance on identifying circumstances that indicate a transaction is not orderly. The standard became effective for interim and annual reporting periods ending after June 15, 2009. There was no impact to NJR's statement of financial position or results of operations or cash flows as a result of the adoption.

In August 2009, the FASB issued ASU 2009-05. The update provides additional guidance for measuring the fair value of liabilities and clarifies that the quoted price for the identical liability, when traded as an asset in an active market, is a Level 1 measurement, providing there are no adjustments to the quoted price. Alternatively, when no quoted price is available, the ASU affirms the use of other valuation techniques outlined in ASC 820. ASU 2009-05 is effective for the first interim or annual reporting period beginning after the ASU's issuance. NJR does not anticipate any impact to its statement of financial position or results of operations or cash flows upon adoption on October 1, 2009.

Topic 825, *Financial Instruments:*

On April 9, 2009, the FASB issued FSP No. FAS 107-1/APB 28-1, *Interim Disclosures about Fair Values of Financial Instruments* , which amends SFAS 107, *Disclosures about Fair Values of Financial Instruments (ASC 825-10-65-1)* , and requires that companies also disclose the fair value of financial instruments during interim reporting similar to those that are currently provided annually. NJR adopted the revision effective June 30, 2009. As it is a disclosure only standard, it had no impact on the Company's statement of financial position or results of operations or cash flows.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (ASC 825), which permits entities to elect to measure eligible items at fair value as an alternative to hedge accounting and to mitigate volatility in earnings. A company can either elect the fair value option according to a pre-existing policy, when the asset or liability is first recognized or when it enters into an eligible firm commitment. Changes in the fair value of assets and liabilities that the company chooses to apply the fair value option to, are reported in earnings at each reporting date. The standard also provides guidance on disclosures that are intended to provide comparability to other companies' assets and liabilities that have different measurement attributes and to other companies with similar financial assets and liabilities. The standard became effective for NJR as of October 1, 2008; however, since the Company did not elect the fair value option for any items, there was no impact its statement of financial position or results of operations or cash flows.

Topic 855, *Subsequent Events:*

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events (ASC 855)* , which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In addition, companies are required to disclose the date through which it has evaluated subsequent events. NJR adopted the provisions effective June 30, 2009. There was no impact to NJR's statement of financial position or results of operations or cash flows as a result of the adoption.

The following standard has not yet been incorporated in the ASC:

In June 2009, the FASB issued SFAS No. 167 (SFAS 167), Amendments to FASB Interpretation No. 46 (R) (FIN 46(R)), which will eliminate the quantitative assessments currently in practice under FIN 46 (R), and instead will require qualitative assessments to determine whether a company has a controlling financial interest in a variable interest entity (VIE) and, therefore, would be deemed the primary beneficiary, resulting in consolidation of the VIE's operating results. In addition, SFAS 167 requires ongoing reassessments, rather than limiting the reassessments to when certain triggering events occur, and additional disclosures that are intended to provide information on a company's involvement with VIE's. SFAS 167 is effective at the beginning of a company's annual reporting period that begins after November 15, 2009, including interim reporting periods within the first annual reporting period, and thereafter. The Company will adopt the provisions of the statement prospectively during its first quarter of fiscal 2011 and is evaluating the effect on its financial position and results of operations.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires NJR to make estimates that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingencies during the reporting period. On a monthly basis, NJR evaluates its estimates, including those related to the calculation of the fair value of derivative instruments, unbilled revenues, allowance for doubtful accounts, provisions for depreciation and amortization, regulatory assets and liabilities, income taxes, pensions and other postemployment benefits, contingencies related to environmental matters and litigation and asset retirement obligations, which are evaluated on an annual basis. NJR bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

NJR has legal, regulatory and environmental proceedings during the normal course of business which can result in loss contingencies. When evaluating the potential for a loss, NJR will establish a reserve if a loss is probable and can be estimated, in which case it is NJR's policy to accrue the full amount of such estimate. Where the information is sufficient only to establish a range of probable liability, and no point within the range is more likely than any other, it is NJR's policy to accrue the lower end of the range.

In the normal course of business, estimated amounts are subsequently adjusted to actual results that may differ from estimates.

Subsequent Events

The Company evaluates subsequent events through the date it issues its financial statements. Accordingly, for the period ended September 30, 2009, events occurring between September 30, 2009 and November 30, 2009, the date the financial statements have been issued, have been reviewed to determine appropriate recognition and disclosures. See *Note 2. Regulation*, and *Note 10. Employee Benefit Plans* for subsequent events disclosures.

Immaterial Restatement of Prior Years Consolidated Financial Statements

NJRES enters into park and loan transactions whereby it borrows natural gas from a counterparty with an obligation to return the gas at a future date. In the fourth quarter of fiscal 2009, management discovered an error in the accounting for gas in storage, purchase obligations, embedded derivatives and gas demand fees associated with these transactions. NJR had been incorrectly pricing its inventory and had not been recognizing the fair value of the embedded derivative. Specifically, NJR had been using a forward price to value the inventory and gas purchases liability. Both the natural gas that was received and the "park and loan" liability should have been initially valued at the spot market price on the date NJRES received the gas. In addition, NJRES should have been accounting for the obligation to return the gas as an embedded derivative, which should have been fair valued ("marked to market") at each subsequent balance sheet reporting date until the gas was returned to the counterparty. As well, the initial spread between the spot price of the natural gas on the date of the transaction and the forward price, based on the date NJRES would return the borrowed gas inventory, should have been recognized into income on a ratable basis over the term of the park and loan agreement. In addition, demand fees related to these transactions were not , but should have been recognized ratably over the term of the contract.

The Company made a quantitative and qualitative assessment of the impact of the error to its consolidated financial statements and concluded that the resulting misstatements were not material to the fiscal years ended September 30, 2009, September 30, 2008 and September 30, 2007 or to the consolidated balance sheet as of September 30, 2008. However, because the error did have material effects on the interim quarterly periods within the fiscal years ended September 30, 2009 and 2008, the Company has amended each of its fiscal 2009 Interim Quarterly Reports on Form 10-Q to restate all of the interim period financial statements contained therein. Accordingly, in order to maintain consistency with the treatment afforded the interim periods, the Company has restated its prior annual consolidated financial statements contained herein. The following tables set forth the effects of the error on affected line items within the Company's prior years financial statements:

CONSOLIDATED STATEMENTS OF INCOME

	For the year ended September 30,					
	2008			2007		
(Thousands)	**As Previously Reported**	**Adjustment**	**As Restated**	**As Previously Reported**	**Adjustment**	**As Restated**
Gas purchases	$ 3,322,644	$ 8,112	$ 3,330,756	$ 2,621,575	$ 3,985	$ 2,625,560
Total operating expenses	$ 3,614,760	$ 8,112	$ 3,622,872	$ 2,894,515	$ 3,985	$ 2,898,500
Operating Income	$ 201,450	$ (8,112)	$ 193,338	$ 127,250	$ (3,985)	$ 123,265
Income before income taxes and equity in earnings of affiliates	$ 180,007	$ (8,112)	$ 171,895	$ 103,931	$ (3,985)	$ 99,946
Income tax provision	$ 68,085	$ (3,370)	$ 64,715	$ 40,312	$ (1,637)	$ 38,675
Net Income	$ 113,910	$ (4,742)	$ 109,168	$ 65,281	$ (2,348)	$ 62,933
Basic earnings per share	$ 2.72	$ (0.11)	$ 2.61	$ 1.56	$ (0.06)	$ 1.50
Diluted earnings per share	$ 2.70	$ (0.11)	$ 2.59	$ 1.55	$ (0.06)	$ 1.49

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended September 30,					
	2008			2007		
(Thousands)	As Previously Reported	Adjustment	As Restated	As Previously Reported	Adjustment	As Restated
Net Income	$ 113,910	$ (4,742)	$ 109,168	$ 65,281	$ (2,348)	$ 62,933
Unrealized loss (gain) on derivatives	$ 3,683	$ (16,612)	$ (12,929)	$ 22,910	$ 35,484	$ 58,394
Deferred income taxes	$ 17,085	$ (3,370)	$ 13,715	$ 17,762	$ (1,635)	$ 16,127
Components of working capital	$ (56,186)	$ 20,194	$ (35,992)	$ (32,135)	$ (34,849)	$ (66,984)
Inventories	$ (39,458)	$ (11,289)	$ (50,747)	$ 68,727	$ (14,426)	$ 54,301
Gas purchases payable	$ 97,180	$ 37,155	$ 134,335	$ (79,543)	$ (17,075)	$ (96,618)
Other current assets	$ (3,377)	$ (1,142)	$ (4,519)	$ (13,203)	—	$ (13,203)
Total working capital	$ (56,186)	$ 20,194	$ (35,992)	$ (32,135)	$ (34,849)	$ (66,984)

CONSOLIDATED BALANCE SHEETS

ASSETS

	For the year ended September 30, 2008		
(Thousands)	As Previously Reported	Adjustment	As Restated
Gas in storage, at average cost	$ 478,549	$ (11,012)	$ 467,537
Derivatives (current), at fair value	$ 208,703	$ 18,521	$ 227,224
Other (current)	$ 12,785	$ 2,396	$ 15,181
Total current assets	$ 1,109,666	$ 9,905	$ 1,119,571
Total assets	$ 2,625,392	$ 9,905	$ 2,635,297

CAPITALIZATION AND LIABILITIES

	For the year ended September 30, 2008		
(Thousands)	As Previously Reported	Adjustment	As Restated
Common stock equity	$ 726,958	$ 1,110	$ 728,068
Total capitalization	$ 1,182,075	$ 1,110	$ 1,183,185
Gas purchases payable	$ 315,516	$ 8,084	$ 323,600
Total current liabilities	$ 893,969	$ 8,084	$ 902,053
Deferred income taxes	$ 239,703	$ 711	$ 240,414
Total noncurrent liabilities	$ 549,348	$ 711	$ 550,059
Total capitalization and liabilities	$ 2,625,392	$ 9,905	$ 2,635,297

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

CONSOLIDATED STATEMENTS OF CAPITALIZATION

	For the year ended September 30, 2008		
(Thousands)	As Previously Reported	Adjustment	As Restated
Retained earnings	$ 449,636	$ 1,110	$ 450,746
Total Common stock equity	$ 726,958	$ 1,110	$ 728,068
Total Capitalization	$ 1,182,075	$ 1,110	$ 1,183,185

CONSOLIDATED STATEMENTS OF COMMON STOCK EQUITY

	Retained Earnings			Total		
(Thousands)	As Previously Reported	Adjustment	As Restated	As Previously Reported	Adjustment	As Restated
Balance at September 30, 2006	$ 358,047	$ 8,200	$ 366,247	$ 621,662	$ 8,200	$ 629,862
Net income	$ 65,281	$ (2,348)	$ 62,933	$ 65,281	$ (2,348)	$ 62,933
Balance at September 30, 2007	$ 380,882	$ 5,852	$ 386,734	$ 644,797	$ 5,852	$ 650,649
Net income	$ 113,910	$ (4,742)	$ 109,168	$ 113,910	$ (4,742)	$ 109,168
Balance at September 30, 2008	$ 449,636	$ 1,110	$ 450,746	$ 726,958	$ 1,110	$ 728,068

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the year ended September 30,					
	2008			2007		
(Thousands)	As Previously Reported	Adjustment	As Restated	As Previously Reported	Adjustment	As Restated
Net Income	$ 113,910	$ (4,742)	$ 109,168	$ 65,281	$ (2,348)	$ 62,933
Comprehensive income	$ 113,906	$ (6,521)	$ 107,385	$ 65,772	$ (2,348)	$ 63,424

2. REGULATION

Energy Deregulation Legislation

The Electric Discount and Energy Competition Act (EDECA) is the legal framework for New Jersey's public utility and wholesale energy landscape. NJNG is required, pursuant to a written order by the BPU under EDECA, to have its residential markets open to competition from third-party natural gas suppliers. Customers can choose the supplier of their natural gas commodity in NJNG's service territory.

As required by EDECA, NJNG has restructured its prices to segregate BGSS rates into two primary components, the commodity portion, which represents the wholesale cost of natural gas, including the cost for interstate pipeline capacity to bring the gas to NJNG's service territory, and the delivery portion, which represents the transportation of the commodity portion through NJNG's gas distribution system to the end-use customer. NJNG earns no utility gross margin on the commodity portion of its natural gas sales. NJNG earns utility gross margin through the delivery of natural gas to its customers, regardless of whether it or a third-party supplier provides the wholesale natural gas commodity.

Under EDECA, the BPU is required to audit the state's energy utilities every two years. The primary purpose of the audit is to ensure that utilities and their affiliates offering unregulated retail services do not have any unfair competitive advantage over nonaffiliated providers of similar retail services. A combined competitive services and management audit of NJNG commenced in November 2006, and a final report on findings and recommendations was approved by the BPU on January 28, 2009. The BPU's management audit order requires that the implementation of all recommendations be completed within two years of the date of the order.

Base Rate Order

As a result of increases in NJNG's operation, maintenance and capital costs, on November 20, 2007, NJNG petitioned the BPU to increase base rates for delivery service by approximately $58.4 million, which included a return on NJNG's equity component of 11.5 percent. This request was consistent with NJNG's objectives of providing safe and reliable service to its customers and earning a market-based return on its regulated investments.

On October 3, 2008, the BPU unanimously approved and made effective the settlement of NJNG's base rate case. As a result, NJNG received a revenue increase in its base rates of $32.5 million, which is inclusive of an approximate $13 million impact of a change to the Conservation Incentive Program (CIP) baseline usage rate, received an allowed return on equity component of 10.3 percent, reduced its depreciation expense component from 3 percent to 2.34 percent and reduced its annual depreciation expense by $1.6 million as a result of the amortization of previously recovered asset retirement obligations.

Conservation Incentive Program (CIP)

The CIP was designed to decouple the link between customer usage and NJNG's utility gross margin to allow NJNG to encourage its customers to conserve energy. In addition to permitting NJNG to recover utility gross margin variations related to customer usage in comparison to established benchmarks, the CIP similarly serves as a tracking mechanism that allows NJNG to mitigate the impact of weather on its gross margin. As a result, the Weather Normalization Clause (WNC) that was previously in effect as a weather recovery mechanism has been suspended pending the continuation of the CIP. As of September 30, 2009, NJNG has a remaining WNC balance of approximately $78,000. In NJNG's 2010 Basic Gas Supply Service (BGSS)/CIP filing, NJNG included a request to reduce the WNC rate to facilitate recovery of the balance in fiscal 2010.

The CIP's initial term was October 1, 2006, through September 30, 2009. The BPU did not issue an order relative to the continuation of the CIP by October 1, 2009 and in accordance with the BPU order approving the CIP initially, the CIP will continue for up to one additional year or until the issuance of a BPU Order. Recovery of such utility gross margin variations, filed for annually and recovered one year following the end of the CIP usage year, is subject to additional conditions, including an earnings test and an evaluation of BGSS-related savings.

As of September 30, 2009, under the CIP, NJNG has $5.8 million accrued to recover from residential and small commercial customers, which includes $1.4 million related to the weather component of the CIP and $4.4 million related to the usage component of the CIP.

The following are NJNG's BPU filings and results related to CIP since the inception of the program:

- June 2007 – NJNG filed its CIP Petition for the Annual Review of its CIP Program for recoverable CIP amounts for fiscal 2007 and to establish its CIP recovery rates effective October 1, 2007.
- August 2007 – NJNG filed an amendment to its June 2007 CIP filing to update financial information to include actual data.
- October 2007 – the BPU provisionally approved the implementation of NJNG's initial CIP recovery rates, based upon program information NJNG included in an Amendment to its Petition for Annual Review, which was filed with the BPU in August 2007. The approved rates add 1.7 percent to the average residential heating customer's bill and were designed to recover approximately $15.6 million of previously accrued amounts.
- May 2008 – NJNG filed its CIP Petition for the Annual Review of its CIP Program for recoverable CIP amounts for fiscal 2008, requesting an additional $6.8 million, and to modify its CIP recovery rates effective October 1, 2008.
- August 1, 2008 – the BPU issued their final order in approving the CIP petition for fiscal 2007.
- October 3, 2008 – the BPU provisionally approved NJNG's CIP petition filed in May 2008 requesting an additional $6.8 million for amounts accrued and estimated through September 30, 2008, effective the date of the Board Order.

- On April 1, 2009, NJNG submitted a proposal to extend its CIP mechanism, as currently structured, until October 1, 2010. The extension was requested due to the continuing nature of energy efficiency programs at the state and federal levels in concert with the issuance of the economic stimulus programs. As a result of no action taken by the BPU as of September 30, 2009, the CIP will remain in effect for an additional year or until a final order is issued by the BPU.

- In June 2009, the BPU issued their final order approving NJNG's recovery of $6.8 million of CIP rates for fiscal 2008. In addition, NJNG filed its annual BGSS and CIP filing for recoverable CIP amounts for fiscal 2009, requesting approval to modify its CIP recovery rates effective October 1, 2009, resulting in total annual recovery requested for fiscal 2009 of $6.9 million, representing amounts accrued and estimated through September 30, 2009. The rate adjustment for fiscal 2009 was provisionally approved by the BPU in the amount of $6.9 million on September 16, 2009.

In conjunction with the CIP, NJNG incurs costs related to its obligation to fund programs that promote customer conservation efforts during the pilot program. As of September 30, 2009, NJNG had a remaining liability of $248,000 related to these programs.

BGSS

NJNG is allowed to recover the commodity cost of its gas purchased for sale to its customers through the BGSS rate component of its customers' bills. NJNG is required to make an annual filing by June 1 of each year for review of its BGSS rate with the BPU. At that time NJNG may also request a potential rate change to be effective at the beginning of the following fiscal year. NJNG is allowed to make two interim filings during the fiscal year period to subsequently increase residential and small commercial customer BGSS rates up to 5 percent on a self-implementing and provisional basis, after proper notice and BPU action on the June filing. Such increases, if any, are subject to subsequent BPU review and final approval.

The cost of the wholesale natural gas commodity passed through to customers can fluctuate significantly based on many factors associated with supply and demand in the marketplace. In addition to the annual and interim filings to adjust BGSS rates, NJNG is permitted to refund or credit back a portion of the commodity cost previously collected from customers when the natural gas commodity cost decreases in comparison to amounts projected or adjusted as a component of the BGSS rates. Before implementing a refund or credit, proper notification and supporting documentation is filed with the BPU. Refundable amounts may also be subject to interest.

The following are NJNG's BGSS filings during fiscal 2008 and 2009 related to its requested rate adjustments and refunds to its residential and small commercial customers:

- October 2007 – the BPU provisionally approved a decrease to NJNG's BGSS rate effective October 4, 2007, which resulted in a 3.6 percent decrease to the average residential heating customer bill which was subsequently approved on a final basis in August 2008.

- November 2007 – NJNG notified the BPU that it would provide refunds to customers and subsequently issued a credit totaling $32.0 million in December 2007 as a result of the decrease in the anticipated costs of wholesale natural gas prices.

- March 2008 – NJNG, the BPU staff and Rate Counsel entered into a stipulation to resolve certain matters related to NJNG's fiscal 2007 BGSS filing. This stipulation was approved by the BPU on May 9, 2008, and resulted in NJNG recording a nonrecurring settlement charge to its BGSS costs of $300,000.

- May 2008 – NJNG filed for an increase to the periodic BGSS factor to be effective October 1, 2008, that would increase an average residential heating customer's bill by approximately 18.0 percent due to an increase in the price of wholesale natural gas. Subsequent to the time of the filing, wholesale natural gas prices moderated, and on September 22, 2008, NJNG, the Staff of the BPU and Rate Counsel signed an agreement for an increase to the periodic BGSS factor that would increase an average residential heating customer's bill by approximately 8.9 percent. On October 3, 2008, the BPU approved the BGSS increase on a provisional basis, effective the date of the Board Order.

- December 2008 – NJNG provided notice that it would implement a $30 million BGSS-related rate credit that would lower residential and small commercial sales customers' bills in January and February 2009. This rate credit was due primarily to a decline in wholesale commodity costs subsequent to the October 2008 BGSS price change. On February 20, 2009, NJNG provided notice to the BPU that its BGSS-related rate credit would be extended through March 31, 2009, to reduce BGSS charges by an additional $15 million.

- June 2009 – NJNG filed its annual BGSS and CIP filing (2010 BGSS/CIP filing) proposing a decrease of 17.6 percent for the average residential heating customer of which 15.7 percent is due to the reduction in commodity costs based on the continuing decline in the wholesale natural gas market. The balance of the rate change is related to changes to the CIP rate, as discussed above, and a minor reduction to the rate related to collecting the remaining balance under the Weather Normalization Clause. On September 16, 2009, the BPU approved on a provisional basis a decrease of approximately 19 percent to the average residential heating customer of which 17.2 percent is due to the reduction to the BGSS price and the balance of rate change is related to the CIP and WNC rates as discussed above.

- Effective in the first billing period of October 2009, NJNG provided refunds of approximately $37.4 million to residential and small commercial customers due to the decline in the wholesale price of natural gas.

Other Incentive Programs

NJNG is eligible to receive financial incentives for reducing BGSS costs through a series of utility gross margin-sharing programs that include off-system sales, capacity release, storage incentive and financial risk management (FRM) programs. In October 2007, the BPU approved an extension of the utility gross margin-sharing programs mentioned above through October 31, 2008. Concurrently, the BPU reduced the sharing percentage of the margin generated by the FRM program retained by
NJNG from 20 percent to 15 percent effective November 1, 2007. The July 30, 2008, agreement between NJNG and the Rate Counsel (Revenue Requirement stipulation) provides for the extension of the incentive programs through October 31, 2011, along with a moderate expansion of the storage incentive and FRM programs.

On October 3, 2008, the BPU approved the Revenue Requirement stipulation, which extends the incentive programs through October 31, 2011, and provides for an increase to the FRM program's annual cost limitation from $3.2 million to $6.4 million, an annual update to the FRM volume limitations and an increase to the annual Storage Incentive program volumes from 18 Bcf to 20 Bcf, effective the date of the Board Order.

Societal Benefits Clause (SBC)

The SBC is comprised of three primary components, a Universal Service Fund rider (USF), a Manufactured Gas Plant (MGP) Remediation Adjustment (RA), and the New Jersey Clean Energy Program (NJCEP). The USF is a permanent statewide program that was approved by the BPU in March 2003 for all natural gas and electric utilities for the benefit of income-eligible customers; the RA is a rider approved by the BPU in June 1992 that provides for recovery of actual expenditures incurred to remediate former gas manufacturing facilities; and the NJCEP is a program approved by the BPU in March 2001 and is designed to promote energy efficiency and renewable energy. Recovery of SBC program costs is subject to BPU approval based on annual filings that include an updated report of expenditures incurred each year.

On January 27, 2009, NJNG filed an application (January 2009 SBC filing) regarding its SBC to increase its RA factor and its NJCEP factor while maintaining its effective rate on USF. This filing, if approved, will result in an overall increase of approximately 0.48 percent per month for an average residential bill. The January 2009 SBC filing is subject to BPU Staff and Rate Counsel review and must be approved by the BPU prior to implementing the new SBC rates.

USF

Through the USF, eligible customers receive a credit toward their utility bill. The credits applied to eligible customers are recovered through the USF rider in the SBC. NJNG recovers carrying costs on deferred USF balances.

In June 2008, the natural gas utilities in New Jersey collectively filed with the BPU to increase the statewide USF recovery rate effective October 1, 2008. In the BPU's October 21, 2008 order, the USF increase was approved on a provisional basis, effective October 24, 2008, and it also approved interest on USF deferred balances at the Treasury Constant Maturity 2-year rate, plus 60 basis points, net of deferred income taxes, with the rate changing on a monthly basis. NJNG believes the increase has a negligible impact on customers.

In June 2009, the natural gas utilities in the State of New Jersey collectively filed with the BPU to decrease the statewide USF recovery rate effective October 1, 2009. The USF, as filed, will decrease the average monthly bill of a residential heating customer by 0.6 percent. On October 7, 2009, the BPU approved the USF decrease, effective October 11, 2009.

MGP

During fiscal 2007, NJNG signed a stipulation with the BPU and Rate Counsel, which resulted in the disallowance of certain costs that had previously been deferred as recoverable pursuant to a regulatory rider associated with the remediation of a former manufactured gas plant site. The pre-tax charge of $4 million is reflected as a component of Operations and maintenance expense in the Consolidated Statements of Income.

In October 2007, the BPU approved $14.7 million in eligible costs to be recovered annually for MGP remediation expenditures incurred through June 30, 2006. In June 2009, the BPU approved the February 2008 SBC filing, which included recovery of MGP remediation expenditures incurred through June 30, 2007, resulting in an expected total annual recovery of $17.7 million. The January 2009 SBC filing included MGP remediation expenditures incurred through June 30, 2008, resulting in an expected total annual recovery of $20.7 million.

NJCEP

The BPU has established a statewide program to promote energy efficiency and renewable energy. All New Jersey utilities are required to share in the funding for the program, which is recoverable from customers through the SBC.

In October 2008, the BPU released a final Order, updating state utilities' funding obligations for the period from January 1, 2009, to December 31, 2012. NJNG's share of the total statewide funding requirement of $1.2 billion is $50.8 million, which is recoverable through the SBC. NJNG's annual funding amounts gradually increase from $10.3 million in fiscal 2009 to $15.9 million in fiscal 2012. Accordingly, NJNG recorded the initial obligation and a corresponding regulatory asset at a present value of $44.3 in the Consolidated Balance Sheets. As of September 30, 2009, NJNG had a $39.4 million obligation remaining.

The January 2009 SBC filing included an increase to the NJCEP factor. The proposed factor is expected to recover $12.9 million annually.

Economic Stimulus

On January 20, 2009, NJNG filed two petitions with the BPU seeking approval to implement programs designed to both stimulate the state and local economy through infrastructure investments and encourage energy efficiency. The Accelerated Infrastructure Program (AIP) was approved on April 16, 2009, and allows NJNG to expedite $70.8 million of 14 previously planned infrastructure projects, maintaining safe and reliable service to NJNG's customers while creating the opportunity for approximately 75 to 100 new jobs. Approved as a 2-year program, the AIP will be funded through an annual adjustment to customers' base rates with the first adjustment expected in October 2010. The second filing, for an Energy Efficiency (EE) Program and associated cost recovery mechanism, requested BPU approval to implement various programs to encourage energy efficiency for residential and commercial customers. NJNG proposed to recover the EE Program costs over a 4-year period through a clause mechanism similar to the SBC, for $21.1 million, if fully subscribed. A true-up to actual EE program investments and costs is to be filed with the BPU on an annual basis. The BPU approved the NJNG EE Program on July 17, 2009. Both the AIP and EE Programs include the recovery of NJNG's overall weighted average cost of capital on these investments.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Regulatory Assets & Liabilities

At September 30, 2009 and 2008, the Company had the following regulatory assets, all related to NJNG, on the Consolidated Balance Sheets:

(Thousands)	**2009**	2008	Recovery
Regulatory assets–current			
Underrecovered gas costs	**$ —**	$ 27,994	*(1)*
WNC	**78**	919	*(2)*
CIP	**5,800**	22,463	*(3)*
Total current	**$ 5,878**	$ 51,376	
Regulatory assets–noncurrent			
Remediation costs (Note 14)			
Expended, net of recoveries	**$ 85,461**	$ 92,164	*(4)*
Liability for future expenditures	**146,700**	120,730	*(5)*
CIP	**—**	2,397	*(3)*
Deferred income and other taxes	**11,560**	12,726	*(6)*
Derivatives (Note 3)	**8,073**	49,610	*(1)*
Energy Efficiency Program	**1,174**	—	*(7)*
New Jersey Clean Energy Program	**39,369**	3,056	*(7)*
Pipeline Integrity Management	**448**	—	*(8)*
Postemployment benefit costs (Note 10)	**94,305**	52,519	*(9)*
SBC	**3,935**	7,468	*(7)*
Total noncurrent	**$ 391,025**	$ 340,670	

(1) Recoverable, subject to BPU approval, through BGSS, without interest.
(2) Recoverable as a result of BPU approval in October 2008, without interest. This balance reflects the net results from winter period of fiscal 2006. No new WNC activity is being recorded since October 1, 2006 due to the existence of the CIP.
(3) Recoverable or refundable, subject to BPU annual approval, without interest.
(4) Recoverable, subject to BPU approval, with interest over rolling 7-year periods.
(5) Estimated future expenditures. Recovery will be requested when actual expenditures are incurred (see *Note 13. Commitments and Contingent Liabilities – Legal Proceedings).*
(6) Recoverable without interest, subject to BPU approval.
(7) Recoverable with interest, subject to BPU approval.
(8) Recoverable, subject to BPU review and approval in the next base rate case. NJNG is limited annually to recording a regulatory asset that does not exceed $700,000. In addition, to the extent that project costs are lower than the approved the PIM annual expense of $1.4 million, NJNG will record a regulatory liability that will be refundable as a credit to customer's gas costs when the net cumulative liability exceeds $1.0 million.
(9) Recoverable or refundable, subject to BPU approval, without interest. Includes unrecognized service costs recorded, that NJNG has determined are recoverable in rates charged to customers (see *Note 10. Employee Benefit Plans).*

If there are any changes in regulatory positions that indicate the recovery of regulatory assets is not probable, the related cost would be charged to income in the period of such determination.

At September 30, 2009 and 2008, the Company had the following regulatory liabilities, all related to NJNG, on the Consolidated Balance Sheets:

(Thousands)	**2009**	2008
Regulatory liability–current		
Overrecovered gas costs *(1)*	**$ 36,203**	—
Total current	**$ 36,203**	—
Regulatory liabilities–noncurrent		
Cost of removal obligation *(2)*	**$ 56,450**	$ 63,419
Total-noncurrent	**$ 56,450**	$ 63,419

(1) Refundable, subject to BPU approval, through BGSS, with interest.
(2) NJNG accrues and collects for cost of removal in rates. This liability represents collections in excess of actual expenditures. Approximately $22.4 million, including accretion of $1.5 million for the fiscal year ended September 30, 2009, of regulatory assets relating to asset retirement obligations have been netted against the cost of removal obligation as of September 30, 2009 (see *Note 11. Asset Retirement Obligations).*

3. DERIVATIVE INSTRUMENTS

NJR accounts for its derivatives in accordance with the *Derivatives and Hedging* topic *(ASC 815)* of the ASC. In addition, as described in *Note 1, Summary of Significant Accounting Policies,* NJR adopted the recently issued provisions of ASC 815-10-50 (originally issued as SFAS 161, *Disclosures about Derivative Instruments and Hedging Activities*), which require enhanced disclosures surrounding the use of and accounting for derivative instruments, as well as the impact to a company's financial statements. The additional quantitative and qualitative disclosures are included throughout this note.

The Company and its subsidiaries are subject to commodity price risk due to fluctuations in the market price of natural gas. To manage this risk, the Company and its subsidiaries enter into a variety of derivative instruments including, but not limited to, futures contracts, physical forward contracts, financial options, and swaps to economically hedge the commodity price risk associated with its existing and anticipated commitments to purchase and sell natural gas. These contracts, with a few exceptions as described below, are accounted for as derivatives. Accordingly, all of the financial and certain of the Company's physical derivative instruments are recorded at fair value in the Consolidated Balance Sheets. Since the Company chooses not to designate its derivatives as accounting hedges, changes in the fair value of the derivative instruments are concurrently recorded as a component of Gas purchases or Operating revenues, as appropriate for NJRES and NJR Energy, in the Consolidated Statements of Income as unrealized gains or losses. At settlement, realized gains and losses on derivative instruments are also recognized in these same line items. Physically settled sales are included in Operating revenues, and physically settled gas purchases and all net settled derivatives (including financial derivative instruments) are included in Gas purchases.

Changes in fair value of NJNG's derivative instruments, however, are recorded as a component of Regulatory assets or liabilities as per ASC 980 in the Consolidated Balance Sheets, as NJNG has received regulatory approval to recover these amounts through future BGSS rates as an increase or decrease to the cost of natural gas in NJNG's tariff. For a more detailed discussion of the Company's fair value measurement policies and level disclosures associated with NJR's derivative instruments, please see *Note 4. Fair Value.*

ASC 815 includes a "normal" election that can be applied to physical commodity contracts that otherwise meet the definition of a derivative when certain conditions are met, including the probability of physical delivery of the underlying commodity in the normal course of business. If elected, the scope exception allows companies to defer recognition of the related assets acquired and liabilities incurred until settlement of the contract and delivery of the natural gas. During fiscal 2007 and 2008, NJR employed normal accounting treatment for certain of its physical forward contracts at NJRES. Due to changes in the Company's ability to assert physical delivery, effective October 1, 2008, the Company chose to no longer apply normal treatment to physical commodity contracts. Therefore, as of October 1, 2008, all NJRES physical commodity contracts that meet the definition of a derivative are accounted for at fair value in the Consolidated Balance Sheets, with changes in fair value included in earnings as noted above.

As a result of entering into transactions to borrow gas, commonly referred to as "park and loans," an embedded derivative is created related to potential differences between the fair value of the amount borrowed and the fair value of the amount that may ultimately be repaid, based on changes in value in forward natural gas prices during the contract term. This embedded derivative is accounted for as a forward sale in the month in which the repayment of the borrowed gas is expected to occur, and is considered a physical derivative transaction which is recorded at fair value on the balance sheet, with changes in value recognized in current period earnings.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

The Company continues to elect normal treatment on all physical commodity contracts when appropriate at NJNG and NJR Energy. These contracts are accounted for on an accrual basis.

The following table reflects the fair value of NJR's derivative assets and liabilities recognized in the Consolidated Balance Sheets as of September 30, 2009:

		Fair Value	
(Thousands)	Balance Sheet Location	Asset Derivatives	Liability Derivatives
Derivatives not designated as hedging instruments under ASC 815:			
NJNG:			
Financial derivative commodity contracts	Derivatives - Current	$ 15,801	$ 24,274
	Derivatives - Noncurrent	1,077	677
NJRES:			
Physical forward commodity contracts	Derivatives - Current	22,674	10,044
	Derivatives - Noncurrent	3,878	214
Financial derivative commodity contracts	Derivatives - Current	89,140	60,054
	Derivatives - Noncurrent	4,157	5,316
NJR Energy:			
Financial derivative commodity contracts	Derivatives - Current	3,455	481
	Derivatives - Noncurrent	424	43
Total fair value of derivatives		**$ 140,606**	**$ 101,103**

* Table includes gross derivative values not adjusted for taxes.

NJRES utilizes financial derivatives to economically hedge the margin associated with the purchase of physical gas for injection into storage and the subsequent sale of physical gas at a later date. Upon settlement of the financial transaction, the previously recognized unrealized amounts are adjusted to reflect the final realized gains (losses) in earnings. However, the gains (losses) on the financial transactions that are economic hedges of the cost of the purchased gas are recognized prior to the gains (losses) on the physical transaction, which are recognized in earnings when the natural gas is sold. Therefore, mismatches between the timing of the recognition of realized gains or losses on the financial derivative instruments and gains (losses) associated with the actual sale of the natural gas that is being economically hedged creates volatility in the results of NJRES, although the Company's intended economic results relating to the entire transaction are unaffected.

Gains (losses) recognized at NJRES and NJR Energy as a component of Operating revenues and Gas purchases since NJR's implementation of provisions in ASC 815-10-50 effective January 1, 2009 are as follows:

		Amount of Gain or (Loss) Recognized in Income on Derivative	
(Thousands)	Location of Gain or (Loss) Recognized in Income on Derivative	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2009
Derivatives not designated as hedging instruments under ASC 815:			
NJRES:			
Physical commodity contracts	Operating revenues	$ (7,578)	$ 8,762
Physical commodity contracts	Gas purchases	22,518	20,907
Financial derivatives	Gas purchases	(385)	33,529
Subtotal NJRES		**14,555**	**63,198**
NJR Energy:			
Financial derivatives	Operating revenues	49	(9,899)
Total NJRES and NJR Energy unrealized and realized gains		**$ 14,604**	**$ 53,299**

Not included in the table above are gains (losses) associated with NJNG's financial derivatives, that totaled $2.4 million and $(32.8) million for the three and nine months ended September 30, 2009, respectively. These derivatives are part of its regulated risk management activities that serve to mitigate BGSS costs passed on to its customers. As these transactions are entered into pursuant to and recoverable through regulatory riders, any changes in the value of NJNG's financial derivatives are deferred in Regulatory Assets or Liabilities in accordance with ASC 980 and there is no impact to earnings.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

As of September 30, 2009, NJNG, NJRES and NJR Energy had the following outstanding long (short) derivatives:

		Volume (Bcf)
NJNG	Futures	21.4
	Swaps	(14.5)
	Options	8.0
NJRES	Futures	(19.8)
	Swaps	(23.2)
	Options	4.0
	Physical	58.6
NJR Energy	Swaps	2.6

Generally, exchange-traded futures contracts require a deposit of margin cash, the amount of which is subject to change based on market price movements and in accordance with exchange rules. The Company maintains broker margin accounts for NJNG and NJRES. The balances as of September 30, by company are as follows:

(Thousands)	**2009**	2008
NJNG broker margin deposit	**$ 16,458**	$ 41,277
NJRES broker margin deposit (liability)	**$ 9,792**	$ (29,072)

Wholesale Credit Risk

NJNG, NJRES and NJR Energy are exposed to credit risk as a result of their wholesale marketing activities. NJR monitors and manages the credit risk of its wholesale marketing operations through credit policies and procedures that management believes reduce overall credit risk. These policies include a review and evaluation of current and prospective counterparties' financial statements and/or credit ratings, daily monitoring of counterparties' credit limits and exposure, daily communication with traders regarding credit status and the use of credit mitigation measures, such as collateral requirements and netting agreements. Examples of collateral include letters of credit and cash received for either prepayment or margin deposit. Collateral may be requested due to NJR's election not to extend credit or because exposure exceeds defined thresholds. Most of NJR's wholesale marketing contracts contain standard netting provisions. These contracts include those governed by the International Swaps and Derivatives Association (ISDA) and the North American Energy Standards Board (NAESB). The netting provisions refer to payment netting, whereby receivables and payables with the same counterparty are offset and the resulting net amount is paid to the party to which it is due.

As a result of the inherent volatility in the prices of natural gas commodities and derivatives, the market value of contractual positions with individual counterparties could exceed established credit limits or collateral provided by those counterparties. If a counterparty failed to perform the obligations under its contract (for example, failed to deliver or pay for natural gas), then the Company could sustain a loss.

The following is a summary of gross credit exposures grouped by investment and noninvestment grade counterparties, as of September 30, 2009. Internally-rated exposure applies to counterparties that are not rated by Standard & Poor's (S&P) or Moody's Investors Service, Inc. (Moody's). In these cases, the company's or guarantor's financial statements are reviewed, and similar methodologies and ratios used by S&P and/or Moody's are applied to arrive at a substitute rating. Gross credit exposure is defined as the unrealized fair value of physical and financial derivative commodity contracts plus any outstanding receivable for the value of natural gas delivered for which payment has not yet been received. The amounts presented below have not been reduced by any collateral received or netting and exclude accounts receivable for retail natural gas sales and services.

(Thousands)	**Gross Credit Exposure**
Investment grade	**$ 95,334**
Noninvestment grade	**9,206**
Internally rated investment grade	**13,781**
Internally rated noninvestment grade	**4,786**
Total	**$ 123,107**

Conversely, certain of NJRES', NJNG's and NJR Energy's derivative instruments are tied to agreements containing provisions that would require cash collateral payments from the Company if certain events occur. These provisions vary based upon the terms in individual counterparty agreements and can result in cash payments if NJNG's credit rating were to fall below its current level. NJNG's credit rating, with respect to Standard and Poor's, reflects the overall corporate credit profile. Specifically, most, but not all, of these additional payments will be triggered if NJNG's debt is downgraded by the major credit agencies, regardless of investment grade status. As well, some of these agreements include threshold amounts that would result in additional collateral payments if the values of derivative liabilities were to exceed the maximum values provided for in relevant counterparty agreements. Other provisions include payment features that are not specifically tied to ratings, but are based on certain financial metrics.

Collateral amounts associated with any of these conditions, are determined based on a sliding scale and are contingent upon the degree to which the Company's credit rating and/or financial metrics deteriorate, and the extent to which liability amounts exceed applicable threshold limits. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position on September 30, 2009, is $22.3 million for which the Company has not posted any collateral. If all the thresholds related to the credit-risk-related contingent features underlying these agreements were invoked on September 30, 2009, the Company would not be required to post any additional collateral to its counterparties. This amount differs from the Company's net derivative liability because the credit agreements also include clauses, commonly known as "Rights of Offset," that would permit the Company to offset its derivative assets against its derivative liabilities for determining additional collateral to be posted.

4. FAIR VALUE

Fair Value of Assets and Liabilities

The fair value of cash and temporary investments, accounts receivable, accounts payable, commercial paper and borrowings under revolving credit facilities are estimated to equal their carrying amounts due to the short maturity of those instruments. The estimated fair value of long-term debt, excluding current maturities and capital lease obligations, is based on quoted market prices for similar issues and is as follows:

	September 30,	
(Thousands)	**2009**	2008
Carrying value	**$ 399,800**	$ 399,800
Fair market value	**$ 415,700**	$ 351,400

Adoption of ASC 820, Fair Value Measurements

As noted in *Note 1. Summary of Significant Accounting Policies,* NJR adopted ASC 820 effective October 1, 2008 and has applied the provisions to its financial assets and liabilities, as appropriate, which include financial derivatives and physical commodity contracts qualifying as derivatives, available for sale securities and other financial assets and liabilities. ASC 820 defines and establishes a framework for measuring fair value and requires that companies consider assumptions market participants would make when pricing assets and liabilities that are required to be recognized at fair value in accordance with previously issued accounting pronouncements.

ASC 820 prescribes disclosures that are intended to convey the reliability of price inputs used to determine fair value and established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based on the source of the data used to develop the price inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to inputs that are based on unobservable market data and include the following:

Level 1 Unadjusted quoted prices for identical assets or liabilities in active markets; NJR's Level 1 assets and liabilities include exchange traded financial derivative contracts and listed equities;

Level 2 Significant price data, other than Level 1 quotes, that is observed either directly or indirectly; NJR's level 2 assets and liabilities include over-the-counter physical forward commodity contracts and swap contracts or derivatives that are initially valued using observable quotes and are subsequently adjusted to include time value, credit risk or estimated transport pricing components. These additional adjustments are not considered to be significant to the ultimate recognized values.

Level 3 Inputs derived from a significant amount of unobservable market data; these include NJR's best estimate of fair value and are derived primarily through the use of internal valuation methodologies. Certain of NJR's physical commodity contracts that are to be delivered to inactively traded points on a pipeline are included in this category.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

NJNG's, NJRES' and NJR Energy's financial derivatives portfolios consist mainly of futures, options and swaps. NJR primarily uses the market approach and its policy is to use actively quoted market prices when available. The principal market for its derivative transactions is the natural gas wholesale market, therefore, the primary source for its price inputs is the New York Mercantile (NYMEX) exchange. NJRES also uses Natural Gas Exchange (NGX) for Canadian delivery points and Platts and NYMEX ClearPort for certain over-the-counter physical forward commodity contracts. However, NJRES also engages in transactions that result in transporting natural gas to delivery points for which there is no actively quoted market price. In these cases, NJRES' policy is to use the best information available to determine fair value based on internal pricing models, which include estimates extrapolated from broker quotes or pricing services.

NJR Energy uses NYMEX settlement prices to value its long-dated swap contracts. NJR also has available for sale securities and other financial assets that include listed equities, mutual funds and money market funds for which there are active exchange quotes available.

When NJR determines fair values, measurements are adjusted, as needed, for credit risk associated with its counterparties, as well as its own credit risk. NJR determines these adjustments by using historical default probabilities that correspond to the applicable Standard and Poor's issuer ratings, while also taking into consideration collateral and netting arrangements that serve to mitigate risk.

The adoption of ASC 820 did not have a material impact on NJR's financial condition or results of operations. Assets and liabilities measured at fair value on a recurring basis as of September 30, 2009, are summarized as follows:

(Thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Physical forward commodity contracts	$ —	$ 26,552	$ —	$ 26,552
Financial derivative contracts	81,215	32,839	—	114,054
Available for sale securities (1)	7,872	—	—	7,872
Other assets	1,467	—	—	1,467
Total assets at fair value	**$ 90,554**	**$ 59,391**	$ —	**$ 149,945**
Liabilities:				
Physical forward commodity contracts	$ —	$ 10,258	$ —	$ 10,258
Financial derivative contracts	68,443	22,402	—	90,845
Other liabilities	1,467	—	—	1,467
Total liabilities at fair value	**$ 69,910**	**$ 32,660**	**$ —**	**$ 102,570**

(1) Included in Investments in equity investees in the Consolidated Balance Sheets.

A reconciliation of the beginning and ending balances of NJRES' derivatives measured at fair value based on significant unobservable inputs as of September 30, 2009, is as follows:

(Thousands)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Beginning balance	$ 937
Total gains realized and unrealized	320
Purchases, sales, issuances and settlements, net	(774)
Net transfers in and/or out of level 3	(483)
Ending balance	$ —
Net unrealized gains included in net loss relating to derivatives still held at September 30, 2009	$ —

NJR will prospectively apply the measurement and disclosure provisions of ASC 820 to its non-financial assets and liabilities, which includes NJNG's asset retirement obligations, during the first quarter of fiscal 2010. Based on NJR's current valuation methodologies, it does not anticipate a material impact upon application of ASC 820 to the fair value measurement of NJNG's asset retirement obligations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

5. INVESTMENTS IN EQUITY INVESTEES

NJR's Investments in equity investees as of September 30, 2009 and 2008, respectively, include the following investments:

(Thousands)	**2009**	2008
Steckman Ridge	**$ 131,555**	$ 84,285
Iroquois	**21,081**	23,604
Other	**7,872**	8,092
Total	**$ 160,508**	$ 115,981

NJR uses the equity method of accounting for its investments in Steckman Ridge and Iroquois.

NJR's investment in Steckman Ridge increased $47.3 million in fiscal 2009, including cash investments of $42.7 million, equity in earnings of $2.3 million and capitalized costs and interest of $2.3 million. Steckman Ridge became commercially operational during the third quarter of fiscal 2009 with approximately two-thirds of eventual capacity available for customer injections.

Included in the investment in Steckman Ridge are loans including accrued interest from NJR in the amount of $74.6 million as of September 30, 2009. NJR, as part of its funding commitment, entered into a loan agreement with Steckman Ridge on October 15, 2007, whereby NJR is committed to fund up to a total $82.5 million in loans. The principal balance of the loans are due December 31, 2017 and can be prepaid at the option of Steckman Ridge. The principal amount of the loans accrue interest at a rate of LIBOR plus 0.95%, which resets quarterly.

The decrease in NJR's investment in Iroquois was due primarily to cash distributions received from the partnership of $7.2 million during fiscal 2009, offset by equity in earnings of $4.5 million.

Other consists of an investment in equity securities of a publicly traded energy company and is accounted for as available for sale securities, with any change in the value of such investment recorded in Accumulated other comprehensive income, a component of Common stock equity. Unrealized (losses) gains associated with these equity securities were approximately $(52,000), net of tax of $37,000, and $118,000, net of tax of $(82,000), for the years ended September 30, 2009 and 2008, respectively.

The following tables set forth the financial information for Iroquois for the fiscal years ended September 30:

(Millions)	**2009**	2008	2007
Operating revenues	**$ 195.2**	$ 165.9	$ 160.4
Operating income	**$ 111.7**	$ 87.6	$ 78.5
Net income	**$ 49.8**	$ 37.1	$ 29.7

(Millions)	**2009**	2008
Current assets	**$ 92.0**	$ 64.2
Noncurrent assets	**$ 769.3**	$ 729.2
Current liabilities	**$ 240.5**	$ 39.3
Noncurrent liabilities	**$ 264.6**	$ 348.9

6. EARNINGS PER SHARE

The following table presents the calculation of the Company's basic and diluted earnings per share for the fiscal years ended September 30:

(Thousands, except per share amounts)	**2009**	2008	2007
Net Income, as reported	**$ 27,242**	$ 109,168	$ 62,933
Basic earnings per share			
Weighted average shares of common stock outstanding–basic	**42,119**	41,878	41,855
Basic earnings per common share	**$ 0.65**	$ 2.61	$ 1.50
Diluted earnings per share			
Weighted average shares of common stock outstanding–basic	**42,119**	41,878	41,855
Incremental shares (1)	**346**	298	258
Weighted average shares of common stock outstanding–diluted	**42,465**	42,176	42,113
Diluted earnings per common share (2)	**$ 0.64**	$ 2.59	$ 1.49

(1) Incremental shares consist of stock options, stock awards and performance units..

(2) There were no anti-dilutive shares excluded from the calculation of diluted earnings per share for fiscal 2009, fiscal 2008 and fiscal 2007.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

7. LONG-TERM DEBT, DIVIDENDS AND RETAINED EARNINGS RESTRICTIONS

Annual long-term debt, excluding capital leases and redemption requirements are as follows (in millions):

September 30,	Redemption
2010	—
2011	$ 20.0
2012	—
2013	—
2014	$ 60.0
Thereafter	$ 319.8

NJNG First Mortgage Bonds

NJNG's mortgage secures its First Mortgage Bonds and represents a lien on substantially all of its property, including natural gas supply contracts. Certain indentures supplemental to the mortgage include restrictions as to cash dividends and other distributions on NJNG's common stock that apply as long as certain series of First Mortgage Bonds are outstanding. Under the most restrictive provision, approximately $233 million of NJNG's retained earnings were available for such purposes at September 30, 2009.

NJNG enters into loan agreements with the New Jersey Economic Development Authority (the EDA) under which the EDA issues tax-exempt bonds, and the proceeds are loaned to NJNG to fund capital expenditures for certain portions of its natural gas service territory. To secure its loans from the EDA, NJNG issues First Mortgage Bonds to the EDA with interest rates and maturity dates identical to those of the EDA Bonds.

In October 2005, NJNG entered into a loan agreement under which the EDA loaned NJNG the proceeds from $35.8 million of tax-exempt EDA Bonds. NJNG deposited $15 million of the proceeds into a construction fund to finance subsequent construction in the northern division of NJNG's territory. NJNG drew down $10.8 million from the construction fund prior to fiscal 2009 and drew down the remaining $4.2 million in December 2008.

NJNG is obligated with respect to loan agreements securing six series of variable rate bonds totaling approximately $97 million of variable-rate debt backed by securities issued by the New Jersey Economic Development Authority (EDA). The EDA bonds are commonly referred to as auction rate securities (ARS) and have an interest rate reset every 7 or 35 days, depending upon the applicable series, when an auction is held for the purposes of determining the interest rate of the securities. The interest rate associated with the NJNG variable-rate debt is based on the rates on the EDA ARS. As of September 30, 2009, all of the auctions surrounding the EDA ARS have failed, resulting in those bonds bearing interest at their maximum rates, defined in the EDA ARS as the lesser of (i) 175 percent of 30-day LIBOR or (ii) 10 to 12 percent per annum, as applicable to such series of ARS. As of September 30, 2009, the 30-day LIBOR rate was 0.25 percent. As such, NJNG currently has a weighted average interest rate of 0.44 percent as of September 30, 2009, compared with a weighted average interest rate of 4.6 percent as of September 30, 2008. While the failure of the ARS auctions does not signify or constitute a default on NJNG, the EDA ARS does impact NJNG's borrowing costs of the variable-rate debt. There can be no assurance that the EDA ARS will have enough market liquidity to avoid failed auctions in the future, which could potentially have an adverse impact on NJNG's borrowing costs if LIBOR rates increase. NJR is reviewing alternative methods for refinancing the ARS at NJNG on a continuing basis, however, it cannot assure that alternative sources of financing can be implemented in a timely manner.

NJNG Medium Term Notes

In May 2008, NJNG issued $125 million of 5.6 percent senior notes due May 15, 2018 (Notes) in the private placement market pursuant to a note purchase agreement. The Notes are secured until the release date, which is the date at which the security provided by the pledge under NJNG's mortgage indenture would no longer be available to holders of any outstanding series of NJNG's senior secured notes and such indebtedness would become senior unsecured indebtedness, by an equal amount of NJNG first mortgage bonds (Series LL), and interest is payable on the Notes semi-annually. The proceeds from the Notes were used to refinance short-term debt and fund capital expenditure requirements.

NJNG Sale-Leasebacks

NJNG's master lease agreement for its headquarters building has a 25.5-year term with two 5-year renewal options. The present value of the agreement's minimum lease payments is reflected as both a capital lease asset and a capital lease obligation, which are included in Utility plant and Long-term debt, respectively, on the Consolidated Balance Sheets. In accordance with its ratemaking treatment, NJNG records rent expense as if the lease was an operating lease.

NJNG received $6.3 million, $7.5 million and $5.5 million for fiscal year 2009, 2008 and 2007, respectively, in connection with the sale-leaseback of a portion of its natural gas meters. This sale-leaseback program is expected to be continued on an annual basis.

Contractual commitments for lease payments, under both sale-leasebacks for the meters and the building, as of the fiscal year end are as follows (in millions):

Fiscal Year Ended September 30,	Lease Payments
2010	$ 9.9
2011	13.7
2012	7.8
2013	8.2
2014	7.2
Thereafter	36.6
Subtotal	83.4
Less: interest component	(21.2)
Total	$ 62.2

NJR Debt

NJR had no long-term variable-rate debt outstanding at September 30, 2009 and 2008.

In September 2007, NJR issued $50 million of Unsecured Senior Notes, which were used for financing its initial investment in Steckman Ridge and general corporate purposes including refinancing short-term debt. These notes have a 10-year maturity and an interest rate of 6.05 percent.

8. SHORT-TERM DEBT AND CREDIT FACILITIES

A summary of NJR's and NJNG's committed credit facilities, which require commitment fees on the unused amounts, and NJRES' committed facility that does not require a fee, are as follows:

	September 30,	
(Thousands)	**2009**	2008
NJR *(1)*		
Bank credit facilities *(1)*	**$ 325,000**	$ 325,000
Amount outstanding at end of period		
Notes payable to banks	**$ 143,400**	$ 32,700
Weighted average interest rate at end of period		
Notes payable to banks	**0.57%**	2.46%
NJNG		
Bank credit facilities *(1)*	**$ 250,000**	$ 250,000
Amount outstanding at end of period		
Commercial paper	**—**	$ 145,500
Weighted average interest rate at end of period		
Commercial paper	**—**	2.31%
NJRES		
Bank credit facilities *(2)*	**$ 30,000**	$ 30,000
Amount outstanding at end of period		
Notes payable to banks	**—**	—
Weighted average interest rate at end of period		
Notes payable to banks	**—**	—%

(1) Company is subject to commitment fees on outstanding and unused amounts.
(2) Facility expired in October 2009 and was not renewed.

NJR

In December 2007, NJR refinanced its prior senior credit facility for a new $325 million five-year revolving unsecured credit facility. The new credit facility permits the borrowing of revolving loans and swing loans, as well as the issuance of letters of credit. Swing loans are loans made available on a same-day basis for an aggregate principal amount of up to $50 million and repayable in full within a maximum of seven days of borrowing. It also permits an increase to the facility, from time to time, with the existing or new lenders, in a minimum of $5 million increments up to a maximum $100 million at the lending bank's discretion. Borrowings under the new facility are conditioned upon compliance with a maximum leverage ratio, as defined in the new credit facility, of not more than 0.65 to 1.00 at any time. NJR used the initial borrowings under the new credit facility to refinance its prior credit facility. In addition, certain of NJR's non-regulated subsidiaries have guaranteed to the lenders all of NJR's obligations under the new credit facility.

In February 2008, NJR entered into a new agreement for a stand-alone letter of credit that may be drawn upon through February 15, 2009, for up to $15 million. No amounts have been drawn under this letter of credit as of September 30, 2009.

As of September 30, 2009, NJR had one letter of credit outstanding, totaling $12 million, on behalf of NJRES which is used for margin requirements for natural gas transactions and will expire on December 31, 2009.

NJR also has a $675,000 letter of credit outstanding on behalf of CR&R, which will expire on December 3, 2009. The letter of credit is in place to support development activities.

These letters of credit reduce the amount available under NJR's committed credit facility by the same amount. NJR does not anticipate that these letters of credit will be drawn upon by the counterparties, and they will be renewed as necessary.

NJNG

In October 2007, NJNG entered into a new agreement for standby letters of credit that may be drawn upon through December 15, 2009, for up to $50 million. No amounts have been drawn under these letters of credit as of September 30, 2009. These letters of credit do not reduce the amount available to be borrowed under NJNG's credit facility. NJNG does not anticipate that these letters of credit will be drawn upon by the counterparty, and the agreement will be renewed, as necessary, upon its expiration.

As of September 30, 2009, NJNG has a $250 million committed facility with several banks, with a 5-year term expiring in December 2009. Borrowings under this facility are conditioned upon compliance with a maximum leverage ratio of 0.65 to 1 and interest coverage ratio of 2.50 to 1.00 This facility is used to support NJNG's commercial paper program. NJNG had nothing outstanding under this facility as of September 30, 2009. NJNG currently plans to replace this facility with a new $200 million 3-year revolving unsecured committed credit facility.

On August 24, 2009, NJNG, filed a petition in Docket No. GF09080702 with the New Jersey Board of Public Utilities , pursuant to N.J.S.A. 48:3-7 and 48:3-9 and N.J.A.C. 14:1-5.9, requesting authorization over a three year period to issue debt, renew its expiring credit facility, enter into interest rate hedging transactions and increase the size of its meter leasing program should the necessity arise.

Neither NJNG nor the results of its operations are obligated or pledged to support the NJR or NJRES credit facilities.

NJRES

As of September 30, 2009, NJRES had a 3-year $30 million committed credit facility with a multinational financial institution that expired in October 2009. As of September 30, 2009, there were no borrowings under this facility. Upon expiration, the credit facility was not renewed.

9. STOCK BASED COMPENSATION

In January 2007, the NJR 2007 Stock Award and Incentive Plan (2007 Plan) replaced the 2002 Employee and Outside Director Long-Term Incentive Plan (Long-Term Plan). Shares can be issued in the form of options, performance shares or restricted stock. As of September 30, 2009, 2,308,905 and 94,762 shares, remain available for future issuance to employees and directors, respectively.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

In fiscal 2009, included in Operation and maintenance expense is $3.1 million related to stock-based compensation compared with $3.2 million and $1.3 million in fiscal 2008 and 2007, respectively. As of September 30, 2009, there remains $1.4 million of deferred compensation related to unvested shares and options, which is expected to be recognized over the next 2 years.

The following table summarizes all stock-based compensation expense recognized during the following fiscal years:

(Thousands)	**2009**	2008	2007
Stock-based compensation expense:			
Stock options	**$ 148**	$ 294	$ 278
Performance shares	**475**	939	292
Restricted stock	**2,477**	1,989	747
Compensation expense included in Operation and Maintenance expense	**3,100**	3,222	1,317
Income tax benefit	**(1,274)**	(1,324)	(541)
Total, net of tax	**$ 1,826**	$ 1,898	$ 776

Stock Options

There were no stock options granted in fiscal 2009, 2008 and 2007.

The following table summarizes the stock option activity for the past three fiscal years:

	Shares	**Weighted Average Exercise Price**
Outstanding at September 30, 2006	1,005,234	$ 22.43
Granted	—	—
Exercised	(299,300)	$ 19.40
Forfeited	(5,625)	$ 19.01
Outstanding at September 30, 2007	700,309	$ 23.75
Granted	—	—
Exercised	(121,166)	$ 19.40
Forfeited	—	—
Outstanding at September 30, 2008	579,143	$ 24.66
Granted	—	—
Exercised	**(245,107)**	**$ 22.38**
Forfeited	**(575)**	**$ 18.11**
Outstanding at September 30, 2009	**333,461**	**$ 26.36**
Exercisable at September 30, 2009	**333,461**	**$ 26.36**
Exercisable at September 30, 2008	506,130	$ 23.93
Exercisable at September 30, 2007	551,284	$ 22.17

For the stock options listed above, there are no costs related to unvested options.

The following table summarizes stock options outstanding and exercisable as of September 30, 2009:

	Outstanding and Exercisable			
Exercise Price Range	**Number Of Stock Options**	**Weighted Average Remaining Contractual Term (in years)**	**Weighted Average Exercise Price**	**Aggregate Intrinsic Value (in thousands)**
$15.18 – $18.22	41,140	0.8	$ 17.66	$ 767
$18.22 – $21.25	68,758	3.0	$ 20.70	1,073
$21.25 – $24.93	6,750	3.4	$ 22.54	93
$24.93 – $27.33	8,250	4.4	$ 25.54	89
$27.33 – $30.37	208,563	5.7	$ 30.09	1,297
Total	333,461	4.4	$ 26.36	$ 3,319

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Performance Shares

The Company has issued performance shares, which are market conditions awards, to various officers. The following table summarizes the Performance Unit activity under the Employee and Outside Director Long-Term Incentive Compensation Plan for the past three fiscal years:

	Shares [(1)]	Weighted Average Grant Date Fair Value
Non-vested and outstanding at September 30, 2006	62,550	$ 30.05
Granted	—	—
Vested	(15,637)	$ 30.05
Cancelled/forfeited	(31,275)	$ 30.05
Non-vested and outstanding at September 30, 2007	15,638	$ 30.05
Granted	61,980	$ 31.84
Vested	(15,638)	$ 30.05
Cancelled/forfeited	—	—
Non-vested and outstanding at September 30, 2008	61,980	$ 31.84
Granted	—	—
Vested	—	—
Cancelled/forfeited	—	—
Non-vested and outstanding at September 30, 2009	**61,980**	**$ 31.84**

(1) The number of common shares issued related to performance shares may range from zero to 150 percent of the number of shares shown in the table above based on the Company's achievement of performance goals associated with NJR total shareowner return relative to a selected peer group of companies.

The Company measures compensation expense related to performance shares based on the fair value of these awards at their date of grant. Compensation expense for performance shares is recognized for awards that ultimately vest, and is not adjusted based on actual achievement of the performance goals. The Company estimated the fair value of the performance shares on the date of grant using a Lattice model.

There is $901,000 in costs related to unvested performance shares that are expected to be recognized over the next two years.

Restricted Stock

In fiscal 2009, the Company issued 46,500 shares of Restricted Stock, two-thirds of which vested on October 1, 2009, and one-third of which may vest on October 1, 2010, subsequent to meeting certain performance milestones. Also, in fiscal 2009, 1,500 shares were issued that vest equally on April 7, 2010 and April 7, 2011. In fiscal 2008, the Company issued 61,980 shares of Restricted Stock, which vest in equal annual installments over three years, subject to certain conditions. Also, in fiscal 2009 and 2008 the Company issued 115,211 and 35,385 shares of Restricted Stock, respectively, that vested immediately.

There is $475,000 in costs related to unvested restricted stock shares that are expected to be recognized over the next two years.

10. EMPLOYEE BENEFIT PLANS

Pension and Other Postemployment Benefit Plans (OPEB)

NJR has two trusteed, noncontributory defined benefit retirement plans covering regular represented and nonrepresented employees with more than one year of service. All represented employees of NJRHS hired on or after October 1, 2000, and all non-represented employees hired on or after October 1, 2009, are covered by an enhanced defined contribution plan instead of the defined benefit plan.

Defined benefit plan benefits are based on years of service and average compensation during the highest 60 consecutive months of employment.

The Company also maintains an unfunded nonqualified pension equalization plan (PEP) that was established to provide employees with the full level of benefits as stated in the qualified plan without reductions due to various limitations imposed by the provisions of federal income tax laws and regulations. There were no plan assets in the nonqualified plan due to the nature of the plan.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

The Company provides postemployment medical and life insurance benefits to employees who meet certain eligibility requirements.

NJR's funding policy for its pension plans is to contribute at least the minimum amount required by the Employment Retirement Income Security Act of 1974, as amended. In fiscal 2009 and 2008, the Company had no minimum funding requirements; however, NJR made discretionary contributions to the pension plans during fiscal 2009 totaling $25.6 million. An additional contribution of $4.4 million was made on October 1, 2009. The Company elected to make these discretionary tax-deductible contributions to improve the funded status of the pension plans. The Company does not expect to be required to make additional contributions to fund the pension plans over the next three fiscal years based on current actuarial assumptions; however, funding requirements are uncertain and can depend significantly on changes in actuarial assumptions, returns on plan assets and changes in the demographics of eligible employees and covered dependents. In addition, as in the past, the Company may elect to make contributions in excess of the minimum required amount to the plans.

There are no Federal requirements to pre-fund OPEB benefits. However, the Company is required to fund certain amounts due to regulatory agreements with the BPU. In 2004, the Company elected to pre-fund most of the annual required contributions expected for the subsequent five fiscal years. This resulted in lower annual contributions over this period, including the amount contributed by the Company of approximately $1.9 million in fiscal 2009 and $1.0 million in fiscal 2008. The Company currently estimates contributions of between $5 million to $7 million annually over the next five years. Additional contributions may vary based on market conditions and various assumptions.

The accumulated benefit obligation (ABO) for the pension plans, including the Pension Equalization Plan, at September 30, 2009 and 2008, was $115.9 million and $89.9 million, respectively. As of September 30, 2009, the ABO exceeded the fair value of plan assets of $100.6 million, and the projected benefit obligation was $133.8 million.

The following summarizes the changes in the funded status of the plans and the related liabilities recognized in the Consolidated Balance Sheets:

	Pension *(1)*		**OPEB**	
(Thousands)	**2009**	2008	**2009**	2008
Change in Benefit Obligation				
Benefit obligation at beginning of year	**$ 102,383**	$ 107,875	**$ 53,452**	$ 53,031
Service cost	**2,712**	2,913	**1,728**	1,795
Interest cost	**7,748**	6,594	**4,057**	3,252
Plan participants' contributions	**48**	47	**4**	4
Actuarial gain (loss)	**26,070**	(10,134)	**21,107**	(2,548)
Benefits paid, net of retiree subsidies received	**(5,122)**	(4,912)	**(2,056)**	(2,082)
Benefit obligation at end of year	**$ 133,839**	$ 102,383	**$ 78,292**	$ 53,452
Change in plan assets				
Fair value of plan assets at beginning of year	**$ 80,618**	$ 105,389	**$ 22,711**	$ 29,475
Actual return on plan assets	**(713)**	(20,122)	**(148)**	(5,613)
Employer contributions	**25,808**	215	**1,868**	1,014
Benefits paid, net of plan participants' contributions	**(5,074)**	(4,864)	**(2,237)**	(2,165)
Fair value of plan assets at end of year	**$ 100,639**	$ 80,618	**$ 22,194**	$ 22,711
Funded status	**$ (33,200)**	$ (21,765)	**$ (56,098)**	$ (30,741)
Amounts recognized on Consolidated Balance Sheets				
Postemployment employee benefit liability				
Current	**$ (145)**	$ (218)	**$ (118)**	$ (148)
Non-current	**(33,055)**	(21,547)	**(55,980)**	(30,593)
Total	**$ (33,200)**	$ (21,765)	**$ (56,098)**	$ (30,741)

(1) Includes NJR's Pension Equalization Plan.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

NJR recognizes a liability for its underfunded benefit plans as required by the *Compensation – Retirement Benefits* Topic of the ASC. NJR records the offset to Regulatory Assets for the portion of liability relating to its regulated utility and to Accumulated Other Comprehensive Income for the portion of the liability related to its non-regulated operations. The amounts recognized in Regulatory Assets and Accumulated Other Comprehensive Income as of September 30, 2008 and September 30, 2009 are as follows:

	Regulatory Assets		Accumulated Other Comprehensive Income	
	Pension Plan	OPEB	Pension Plan	OPEB
Balance at September 30, 2007	$ 17,351	$ 14,821	$ 1,667	$ 5,401
Amounts arising during the period:				
Net actuarial loss (gain)	14,487	6,608	4,232	(1,079)
Amounts amortized to net periodic costs:				
Net actuarial (loss)	(972)	(569)	(129)	(235)
Prior service cost	(39)	(69)	(17)	(9)
Net Transition Obligation	—	(286)	—	(71)
Balance at September 30, 2008	$ 30,827	$ 20,505	$ 5,753	$ 4,007
Amounts arising during the period:				
Net actuarial loss (gain)	**26,832**	**18,516**	**8,704**	**4,735**
Amounts amortized to net periodic costs:				
Net actuarial (loss)	**(480)**	**(883)**	**(74)**	**(184)**
Prior service cost	**(39)**	**(68)**	**(17)**	**(10)**
Net Transition Obligation	**—**	**(286)**	**—**	**(71)**
Balance at September 30, 2009	**$ 57,140**	**$ 37,784[(1)]**	**$ 14,366**	**$ 8,477**

(1) ***Balance represents amounts recognized in accordance with ASC 715 and excludes $1.2 million associated with a regulatory asset approved by the BPU.***

Amounts included in Regulatory Assets and Accumulated Other Comprehensive Income expected to be recognized as components of net periodic benefit cost in fiscal year 2010 are as follows:

	Regulatory Assets		Accumulated Other Comprehensive Income	
(Thousands)	Pension Plan	OPEB	Pension Plan	OPEB
Net actuarial gain (loss)	$ 2,190	$ 1,842	$ 532	$ 437
Prior service (cost) credit	39	69	16	7
Net Transition Obligation	—	286	—	70
Total	**$ 2,229**	**$ 2,197**	**$ 548**	**$ 514**

The components of the net periodic cost for pension benefits, including NJR's Pension Equalization Plan, and OPEB costs (principally health care and life insurance) for employees and covered dependents were as follows:

	Pension			**OPEB**		
(Thousands)	**2009**	2008	2007	**2009**	2008	2007
Service cost	**$ 2,712**	$ 2,913	$ 2,932	**$ 1,728**	$ 1,795	$ 1,819
Interest cost	**7,748**	6,594	6,217	**4,057**	3,252	3,028
Expected return on plan assets	**(8,753)**	(8,731)	(8,208)	**(1,996)**	(2,465)	(2,161)
Recognized actuarial loss	**554**	1,101	1,596	**1,067**	804	1,063
Recognized net initial obligation	**—**	—	—	**357**	357	357
Prior service cost amortization	**56**	56	84	**78**	78	78
Net periodic cost	**$ 2,317**	$ 1,933	$ 2,621	**$ 5,291**	$ 3,821	$ 4,184

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

The weighted average assumptions used to determine benefit costs during the fiscal year and obligations as of September 30 are as follows:

	Pension			OPEB		
	2009	2008	2007	**2009**	2008	2007
Benefit costs:						
Discount rate	**7.75%**	6.25%	6.00%	**7.75%**	6.25%	6.00%
Expected asset return	**9.00%**	9.00%	9.00%	**9.00%**	8.50%	8.50%
Compensation increase	**3.75%**	3.75%	3.75%	**3.75%**	3.75%	3.75%
Obligations:						
Discount rate	**6.25%**	7.75%	6.25%	**6.25%**	7.75%	6.25%
Compensation increase	**3.75%**	3.75%	3.75%	**3.75%**	3.75%	3.75%

In selecting an assumed discount rate, NJR uses a modeling process that involves selecting a portfolio of high-quality corporate debt issuances (AA- or better) whose cash flows (via coupons or maturities) match the timing and amount of NJR's expected future benefit payments. NJR considers the results of this modeling process, as well as overall rates of return on high-quality corporate bonds and changes in such rates over time, in determination of its assumed discount rate.

Information relating to the assumed health care cost trend rate (HCCTR) used to determine expected OPEB benefits as of September 30, and the effect of a 1 percent change in the rate, are as follows:

($ in thousands)	**2009**	2008	2007
HCCTR	**8.0%**	9.0%	10.0%
Ultimate HCCTR	**5.0%**	5.0%	5.0%
Year ultimate HCCTR reached	**2018**	2013	2013
Effect of a 1 percentage point increase in the HCCTR on:			
Year-end benefit obligation	**$ 13,181**	$ 8,052	$ 8,493
Total service and interest cost	**$ 1,083**	$ 973	$ 959
Effect of a 1 percentage point decrease in the HCCTR on:			
Year-end benefit obligation	**$ (10,617)**	$ (6,571)	$ (6,850)
Total service and interest costs	**$ (859)**	$ (771)	$ (752)

NJR's investment objective is a long-term real rate of return on assets before permissible expenses that is approximately 6.0 percent greater than the assumed rate of inflation as measured by the Consumer price Index. The expected long-term rate of return is based on the asset categories in which the Company invests and the current expectations and historical performance for these categories.

The mix and targeted allocation of the pension and OPEB plans' assets are as follows:

Asset Allocation	**2010 Target Allocation**	**Assets at September 30, 2009**	2008
U.S. equity securities	39%	**52%**	53%
International equity securities	20	**18**	15
Fixed income	41	**30**	32
Total	100%	**100%**	100%

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid during the following years:

(Thousands)	**Pension**	**OPEB**
2010	$ 5,470	$ 2,583
2011	$ 5,824	$ 2,739
2012	$ 6,123	$ 2,936
2013	$ 6,361	$ 3,136
2014	$ 6,691	$ 3,457
2015-2019	$ 40,155	$ 22,945

NJR's OPEB plans provide prescription drug benefits that are actuarially equivalent to those provided by Medicare Part D. Therefore, under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 NJR qualifies for federal subsidies.

The estimated subsidy payments are:

Fiscal Year	**Estimated Subsidy Payment** *(Thousands)*
2010	$ 159
2011	$ 180
2012	$ 203
2013	$ 223
2014	$ 238
2015-2019	$ 1,501

Defined Contribution Plan

The Company offers an Employees' Retirement Savings Plan (Savings Plan) to eligible employees. The Company matches 50 percent of participants' contributions up to 6 percent of base compensation.

For represented NJRHS employees and other employees who are not eligible for participation in the defined benefit plan and for non-represented employees hired on or after October 1, 2009, the Company contributes between 2 and 3 percent of base compensation, depending on years of service, into the Savings Plan on their behalf.

The amount expensed and contributed for the matching provision of the Savings Plan was $1.2 million in fiscal 2009, $1.3 million in fiscal 2008 and $1.2 million in fiscal 2007.

11. ASSET RETIREMENT OBLIGATIONS (ARO)

NJR recognizes AROs related to the costs associated with cutting and capping its main and service gas distribution pipelines of NJNG, which are required by New Jersey law when taking such gas distribution pipeline out of service.

The following is an analysis of the change in the ARO liability for the fiscal year ended September 30:

(Thousands)	**2009**	2008
Balance at October 1	**$ 24,416**	$ 23,895
Accretion	**1,493**	1,401
Additions	**131**	89
Retirements	**(943)**	(969)
Balance at September 30	**$ 25,097**	$ 24,416

Accretion amounts are not reflected as an expense on NJR's Consolidated Statements of Income, but rather are deferred as a regulatory asset and netted against NJNG's regulatory liabilities, for presentation purposes, on the Consolidated Balance Sheet.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

Accretion for the next five years is estimated to be as follows:

(Thousands)

Fiscal Year Ended September 30,	Estimated Accretion
2010	$ 1,564
2011	1,646
2012	1,736
2013	1,830
2014	1,911
Total	$ 8,687

12. INCOME TAXES

The Company's federal income tax returns through fiscal 2005 have either been reviewed by the Internal Revenue Service (IRS), or the related statute of limitations has expired and all matters have been settled.

A reconciliation of the United States federal statutory rate of 35 percent to the effective rate from operations for the fiscal years ended September 30, 2009, 2008 and 2007 is as follows:

(Thousands)	**2009**	2008	2007
Statutory income tax expense	**$ 13,516**	$ 61,322	$ 35,948
Change resulting from			
State income taxes	**3,478**	8,970	6,867
Change in tax rate	**(715)**	(1,705)	(221)
Depreciation and cost of removal	**(2,191)**	(2,253)	(1,774)
Investment tax credits	**(322)**	(322)	(322)
Fin 48 (ASC 740) and other interest accrued/(released)	**(1,272)**	1,371	—
Other	**(1,118)**	(1,349)	(720)
Income tax provision *(1)*	**$ 11,376**	$ 66,034	$ 39,778
Effective income tax rate	**29.5%**	37.7%	38.7%

(1) Income tax provision includes taxes associated with investments in Equity investees of $2.9 million, $1.3 million and $1.1 million for the years ended September 30, 2009, 2008 and 2007, respectively. These amounts are reported as part of Equity in earnings of Equity investees, net of tax, in the Consolidated Statements of Income.

The Income tax provision (benefit) from operations consists of the following:

(Thousands)	**2009**	2008	2007
Current			
Federal	**$ 26,860**	$ 28,534	$ 36,846
State	**7,603**	4,750	12,282
Deferred			
Federal	**(17,713)**	27,133	(7,153)
State	**(5,052)**	5,939	(1,875)
Investment tax credits	**(322)**	(322)	(322)
Income tax provision	**$ 11,376**	$ 66,034	$ 39,778

New Jersey Resources Corporation
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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

The temporary differences, which give rise to deferred tax assets and liabilities, consist of the following:

(Thousands)		**2009**		2008
Current				
(Over)Under Recovered Gas Costs	**$**	**(14,874)**	$	—
Pension Liability		**(7,179)**		(6,247)
Other		**(2,405)**		(2,814)
Total current deferred tax (assets)	**$**	**(24,458)**	$	(9,061)
(Over)Under Recovered Gas Costs	$	—	$	11,501
Pension Liability		**2,415**		9,606
Other		**1,242**		1,767
Total current deferred tax liabilities	**$**	**3,657**	$	22,874
Total net current deferred tax (assets) liabilities	**$**	**(20,801)**	$	13,813
Noncurrent				
Unamortized Investment Tax Credits	**$**	**(3,699)**	$	(3,873)
Deferred Service Contract Revenue		**(2,636)**		(2,528)
Deferred Gain		**(1,060)**		(1,615)
Total noncurrent deferred tax (assets)	**$**	**(7,395)**	$	(8,016)
Property - Related Items	**$**	**197,475**	$	141,255
Remediation Costs		**35,111**		35,323
Fair Value of Derivatives		**11,329**		58,821
Other		**7,073**		13,031
Total noncurrent deferred tax liabilities	**$**	**250,988**	$	248,430
Total net noncurrent deferred tax liabilities	**$**	**243,593**	$	240,414
Total net deferred tax liabilities	**$**	**222,792**	$	254,227

Effective October 1, 2007, NJR implemented certain provisions of the Income Taxes Topic 740 of the ASC related to uncertain tax positions. These provisions prescribe a recognition threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. NJR is required to recognize a liability as appropriate for a potential future obligation for certain tax positions that are deemed to be treated as an unrecognized tax benefit.

In October 2007, the total amount of liabilities initially recognized, upon implementation of these provisions, was $6.5 million, including $4.7 million of uncertain tax liabilities and $1.8 million of interest and penalties. During the first quarter of fiscal 2009, the Company settled a tax court case with the State of New Jersey, which resulted in a $2.7 million decrease to the reserve balance.

During the second quarter of fiscal 2009, the Company settled the September 30, 2005 Internal Revenue Service (IRS) tax audit. The settlement resulted in an additional reduction to the remaining balance of $3.8 million bringing it to its current balance of zero. The prior balance of $3.8 million related to one issue which has been settled and resulted in no changes to the Company's tax liability related to the issue.

Currently the Company has no reason to believe that there will be any new additions to the reserve related to uncertain tax positions.

As of September 30, 2008, the Company's gross unrecognized tax benefit was $4.7 million. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(Millions)		
Balance at October 1, 2008	$	4.7
Additions based on tax positions related to the current year		—
Additions for tax positions of prior years		—
Reductions for tax positions of prior years		—
Settlements	$	(4.7)
Expiration of statute of limitations		—
Balance at September 30, 2009	$	—

The Company and one or more of its subsidiaries files or expects to file income and/or franchise tax returns in the United States Federal jurisdiction and in the states of New Jersey, New York, Connecticut, Texas and Louisiana. The Company neither files in, nor believes it has a filing requirement in, any foreign jurisdictions.

The Company is no longer subject to United States federal income tax examinations for years prior to fiscal 2006. The IRS commenced an examination of the Company's fiscal 2006 federal income tax return in the fourth quarter of fiscal 2008. The fiscal 2006 exam is expected to be completed by the end of fiscal 2010.

The Company is not currently under examination in any state; however, all periods subsequent to those ended September 30, 2003, are statutorily open to examination (in New York all periods subsequent to September 30, 2004, are statutorily open to examination). As previously disclosed, NJNG was party to a case pending before the Tax Court of New Jersey (the "Tax Court"). In that case, NJNG disputed the State of New Jersey's (the "State") application of its tax apportionment rules. On April 15, 2008 the Tax Court issued a decision in favor of the State. NJNG paid the resulting assessment of approximately $3 million (including interest and penalties) on October 15, 2008. The effect of the Tax Court's decision did not impact the Company's effective tax rate, as this amount had been fully reserved and was reflected as a component of current Deferred and accrued taxes in the Consolidated Balance Sheets as of September 30, 2008.

13. COMMITMENTS AND CONTINGENT LIABILITIES

Cash Commitments

NJNG has entered into long-term contracts, expiring at various dates through 2024, for the supply, storage and delivery of natural gas. These contracts include current annual fixed charges of approximately $106.8 million at current contract rates and volumes, which are recoverable through the BGSS.

For the purpose of securing adequate storage and pipeline capacity, NJRES enters into storage and pipeline capacity contracts, which require the payment of certain demand charges by NJRES in order to maintain the ability to access such natural gas storage or pipeline capacity, during a fixed time period, which generally ranges from one to five years. Demand charges are based on established rates as regulated by the Federal Energy Regulatory Commission (FERC). These demand charges represent commitments to pay storage providers or pipeline companies for the right to store and transport natural gas utilizing their respective assets.

Commitments as of September 30, 2009, for natural gas purchases and future demand fees for the next five fiscal year periods are as follows:

(Thousands)	2010	2011	2012	2013	2014	Thereafter
NJRES						
Natural gas purchases	$ 444,490	$ 140,949	$ 126,561	$ 10,588	$ —	$ —
Storage demand fees	41,292	18,862	11,841	7,018	2,835	1,576
Pipeline demand fees	37,926	18,777	9,949	10,477	7,636	24,010
Sub-total NJRES	$ 523,708	$ 178,588	$ 148,351	$ 28,083	$ 10,471	$ 25,586
NJNG						
Natural gas purchases	$ 54,239	$ 1,644	$ —	$ —	$ —	$ —
Storage demand fees	21,905	18,393	13,307	10,414	5,536	1,174
Pipeline demand fees	84,949	83,520	76,569	75,590	69,795	256,372
Sub-total NJNG	$ 161,093	$ 103,557	$ 89,876	$ 86,004	$ 75,331	$ 257,546
Total	$ 684,801	$ 282,145	$ 238,227	$ 114,087	$ 85,802	$ 283,132

NJNG's capital expenditures are estimated at $110.2 million in fiscal 2010, of which approximately $3.8 million has been committed, and $86.5 million for fiscal 2011, and consist primarily of its construction program to support customer growth, maintenance of its distribution system and replacement needed under pipeline safety regulations. Fiscal 2010 and 2011 include an estimated $44.2 million and $20.5 million, respectively, related to AIP construction costs.

The Company's future minimum lease payments under various operating leases are less than $2.9 million annually for the next five years and $1.5 million in the aggregate for all years thereafter.

Guarantees

As of September 30, 2009, there were NJR guarantees covering approximately $345 million of natural gas purchases and demand fee commitments of NJRES and NJNG not yet reflected in accounts payable on the Consolidated Balance Sheet.

In fiscal 2009, the Company entered into agreements to lease vehicles over a five-year term, which qualify as operating leases. These agreements contain provisions that could require the Company to make additional cash payments at the end of the term for a portion of the residual value of the vehicles. As of September 30, 2009, the present value of the liability recognized on the Consolidated Balance Sheets is $335,000. In the event performance under the guarantee is required, the Company's maximum future payment would be $475,000.

Legal Proceedings

Manufactured Gas Plant Remediation

NJNG is responsible for the remedial cleanup of five Manufactured Gas Plant (MGP) sites, dating back to gas operations in the late 1800s and early 1900s, which contain contaminated residues from former gas manufacturing operations. NJNG is currently involved in administrative proceedings with the New Jersey Department of Environmental Protection (NJDEP), as well as participating in various studies and investigations by outside consultants to determine the nature and extent of any such contaminated residues and to develop appropriate programs of remedial action, where warranted, under Administrative Consent Orders or Memoranda of Agreement with the NJDEP.

NJNG may, subject to BPU approval, recover its remediation expenditures, including carrying costs, over rolling 7-year periods pursuant to a Remediation Adjustment (RA) approved by the BPU. In October 2007, the BPU approved $14.7 million in eligible costs to be recovered annually for MGP remediation expenditures incurred through June 30, 2006. In February 2008, NJNG filed an application regarding its SBC which included MGP remediation expenditures incurred through June 30, 2007, resulting in an expected annual recovery of $17.7 million. On January 27, 2009, NJNG filed an application regarding its SBC including MGP remediation expenditures incurred through September 30, 2008 resulting in an expected annual recovery of $20.7 million. As of September 30, 2009, $85.5 million of previously incurred remediation costs, net of recoveries from customers and insurance proceeds, are included in Regulatory assets on the Consolidated Balance Sheet.

In September 2009, NJNG updated an environmental review of the MGP sites, including a review of potential liability for investigation and remedial action. NJNG estimated at the time of the review that total future expenditures to remediate and monitor the five MGP sites for which it is responsible will range from approximately $146.7 million to $244.3 million. NJNG's estimate of these liabilities is based upon known facts, existing technology and enacted laws and regulations in place when the review was completed. However, NJNG expects actual costs to differ from these estimates. Where it is probable that costs will be incurred, but the information is sufficient only to establish a range of possible liability, and no point within the range is more likely than any other, it is NJNG's policy to accrue the lower end of the range. Accordingly, NJNG has recorded an MGP remediation liability and a corresponding Regulatory asset of $146.7 million on the Consolidated Balance Sheet. The actual costs to be incurred by NJNG are dependent upon several factors, including final determination of remedial action, changing technologies and governmental regulations, the ultimate ability of other responsible parties to pay and any insurance recoveries.

NJNG is presently investigating the potential settlement of alleged Natural Resource Damage claims that might be brought by the NJDEP concerning the five MGP sites. NJDEP has not made any specific demands for compensation for alleged injury to groundwater or other natural resources. NJNG's evaluation of these potential claims is in the early stages, and it is not yet possible to quantify the amount of compensation, if any that NJDEP might seek to recover. NJNG anticipates any costs associated with this matter would be recoverable through the RA.

NJNG will continue to seek recovery of MGP-related costs through the RA. If any future regulatory position indicates that the recovery of such costs is not probable, the related cost would be charged to income in the period of such determination. However, because recovery of such costs is subject to BPU approval, there can be no assurance as to the ultimate recovery through the RA or the impact on the Company's results of operations, financial position or cash flows, which could be material.

General

The Company is party to various other claims, legal actions and complaints arising in the ordinary course of business. In the Company's opinion, other than as disclosed above, the ultimate disposition of these matters will not have a material adverse effect on its financial condition, results of operations or cash flows.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

14. BUSINESS SEGMENT AND OTHER OPERATIONS DATA

NJR organizes its businesses based on its products and services as well as regulatory environment. As a result, the Company chooses to manage the businesses through the following reportable segments and other operations: the Natural Gas Distribution segment consists of regulated energy and off-system, capacity and storage management operations; the Energy Services segment consists of unregulated wholesale energy operations; the Retail and Other operations consist of appliance and installation services, commercial real estate development, investments and other corporate activities.

Information related to the Company's various business segments and other operations, excluding capital expenditures at NJNG of $81.2 million and at retail and Other of $388,000 is detailed below.

(Thousands)

Fiscal Years Ended September 30,	**2009**	2008	2007
Operating Revenues			
Natural Gas Distribution	**$ 1,082,001**	$ 1,078,824	$ 1,005,588
Energy Services	**1,498,742**	2,714,733	1,994,682
Segment subtotal	**2,580,743**	3,793,557	3,000,270
Retail and Other	**14,008**	22,850	21,776
Intercompany revenues *(1)*	**(2,291)**	(197)	(281)
Total	**$ 2,592,460**	$ 3,816,210	$ 3,021,765
Depreciation and Amortization			
Natural Gas Distribution	**$ 29,417**	$ 37,723	$ 35,648
Energy Services	**205**	206	214
Segment subtotal	**29,622**	37,929	35,862
Retail and Other	**706**	535	373
Total	**$ 30,328**	$ 38,464	$ 36,235
Interest Income *(2)*			
Natural Gas Distribution	**$ 2,779**	$ 3,294	$ 3,232
Energy Services	**570**	311	724
Segment subtotal	**3,349**	3,605	3,956
Retail and Other	**567**	476	59
Intercompany interest income *(1)*	**(496)**	—	—
Total	**$ 3,420**	$ 4,081	$ 4,015
Interest Expense, net of capitalized interest			
Natural Gas Distribution	**$ 18,706**	$ 21,277	$ 21,182
Energy Services	**322**	2,574	4,222
Segment subtotal	**19,028**	23,851	25,404
Retail and Other	**2,482**	1,960	2,209
Intercompany interest expense *(1)*	**(496)**	—	—
Total	**$ 21,014**	$ 25,811	$ 27,613
Income Tax Provision (Benefit)			
Natural Gas Distribution	**$ 39,729**	$ 27,840	$ 26,334
Energy Services	**(24,259)**	38,806	14,311
Segment subtotal	**15,470**	66,646	40,645
Retail and Other	**(6,982)**	(1,931)	(1,970)
Total	**$ 8,488**	$ 64,715	$ 38,675
Net Financial Earnings			
Natural Gas Distribution	**$ 65,403**	$ 42,479	$ 44,480
Energy Services	**31,179**	47,003	40,148
Segment subtotal	**96,582**	89,482	84,628
Retail and Other	**4,388**	4,333	3,726
Total	**$ 100,970**	$ 93,815	$ 88,354

(1) Consists of transactions between subsidiaries that are eliminated and reclassified in consolidation
(2) Included in Other income in the Consolidated Statement of Income

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

The chief operating decision maker of the Company is the Chief Executive Officer (CEO). The CEO uses net financial earnings as a measure of profit or loss in measuring the results of the Company's segments and operations. A reconciliation of consolidated net financial earnings to consolidated net income is as follows:

	September 30,		
(Thousands)	**2009**	2008	2007
Consolidated Net Financial Earnings	**$ 100,970**	$ 93,815	$ 88,354
Less:			
Unrealized loss (gain) from derivative instruments, net of taxes	**39,254**	(6,028)	42,209
Effects of economic hedging related to natural gas inventory and certain demand fees, net of taxes	**34,474**	(9,325)	(16,788)
Consolidated Net Income	**$ 27,242**	$ 109,168	$ 62,933

The Company uses derivative instruments as economic hedges of purchases and sales of physical gas inventory. For GAAP purposes, these derivatives are recorded at fair value and related changes in fair value are included in reported earnings. Revenues and cost of gas related to physical gas flow is recognized as the gas is delivered to customers. Consequently, there is a mismatch in the timing of earnings recognition between the economic hedges and physical gas flows. Timing differences occur in two ways:

- Unrealized gains and losses on derivatives are recognized in reported earnings in periods prior to physical gas inventory flows; and
- Unrealized gains and losses of prior periods are reclassified as realized gains and losses when derivatives are settled in the same period as physical gas inventory movements occur.

Net financial earnings is a measure of the earnings based on eliminating these timing differences, to effectively match the earnings effects of the economic hedges with the physical sale of gas. Consequently, to reconcile between GAAP and net financial earnings, current period unrealized gains and losses on the derivatives are excluded from net financial earnings as a reconciling item. Additionally, realized derivative gains and losses are also included in current period net income, however net financial earnings include only realized gains and losses related to natural gas sold out of inventory, effectively matching the full earnings effects of the derivatives with realized margins on physical gas flows.

The Company's assets for the various business segments and business operations are detailed below:

(Thousands)	**2009**	2008
Assets at end of period:		
Natural Gas Distribution	**$ 1,797,165**	$ 1,761,964
Energy Services	**327,532**	699,897
Segment subtotal	**2,124,697**	2,461,861
Retail and Other	**223,020**	231,551
Intercompany Assets *(1)*	**(26,687)**	(58,115)
Total	**$ 2,321,030**	$ 2,635,297

(1) Consists of transactions between subsidiaries that are eliminated and reclassified in consolidation.

NJRES' assets decreased 53.2 percent from fiscal 2008 to fiscal 2009, due primarily to lower inventory values resulting from a decline in commodity prices.

In fiscal 2009, NJRES had one customer who represented 14 percent of its total revenue. Management believes that the loss of this customer would not have a material effect on its financial position, results of operations or cash flows as an adequate number of alternative counterparties exist.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (Continued)

15. RELATED PARTY TRANSACTIONS

During fiscal 2009, NJRES entered into park and loan agreements and firm storage contracts with Steckman Ridge, an affiliated regulated natural gas storage facility, for up to 2 Bcf of natural gas storage with various terms ranging from April 2009 to March 2010. NJRES will incur demand fees payable to Steckman Ridge aggregating approximately $5.5 million annually. As of September, 2009, NJRES' fees and related payable balances were immaterial.

16. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

A summary of financial data for each quarter of fiscal 2009 and 2008 follows. Due to the seasonal nature of the Company's businesses, quarterly amounts vary significantly during the fiscal year. In the opinion of management, the information furnished reflects all adjustments necessary for a fair presentation of the results of the interim periods.

(Thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2009				
Operating revenues	**$ 801,304**	**$ 937,516**	**$ 441,052**	**$ 412,588**
Gross margin *(1)*	**$ 91,189**	**$ 95,390**	**$ 21,185**	**$ 13,492**
Operating income (loss)	**$ 49,251**	**$ 52,000**	**$ (23,770)**	**$ (29,411)**
Net income (loss)	**$ 28,272**	**$ 31,988**	**$ (14,155)**	**$ (18,863)**
Earnings (loss) per share				
Basic	**$ 0.67**	**$ 0.76**	**$ (0.34)**	**$ (0.45)**
Diluted	**$ 0.67**	**$ 0.75**	**$ (0.34)**	**$ (0.45)**
2008				
Operating revenues	$ 811,138	$ 1,177,545	$ 1,000,439	$ 827,088
Gross margin *(1)*	$ 87,519	$ 78,043	$ 7,340	$ 200,598
Operating income (loss)	$ 47,899	$ 35,508	$ (34,741)	$ 144,672
Net income (loss)	$ 26,274	$ 21,474	$ (24,929)	$ 86,348
Earnings (loss) per share				
Basic	$ 0.63	$ 0.51	$ (0.59)	$ 2.05
Diluted	$ 0.63	$ 0.51	$ (0.59)	$ 2.04

(1) Gross margin consists of operating revenue less cost of goods sold and othet direct expenses at NJR's unregulated subsidiaries and utility gross margin at NJNG, which includes natural gas revenues less natural gas purchases, sales tax, a Transitional Energy Facilities Assessment and regulatory rider expenses.

The sum of quarterly amounts may not equal the annual amounts due to rounding.

Immaterial Restatement to Prior Year Consolidated Financial Statements

In the fourth quarter of fiscal 2009, management discovered an error in the accounting for gas in storage, purchase obligations, embedded derivatives and gas demand fees associated with park and loan transactions at NJRES. NJR had been incorrectly pricing its inventory and had not been recognizing the fair value of the embedded derivative. Specifically, NJR had been using a forward price to value the inventory and gas purchases liability. Both the natural gas that was received and the "park and loan" liability should have been initially valued at the spot market price on the date NJRES received the gas. In addition, NJRES should have been accounting for the obligation to return the gas as an embedded derivative, which should have been fair valued ("marked to market") at each subsequent balance sheet reporting date until the gas was returned to the counterparty. As well, the initial spread between the spot price of the natural gas on the date of the transaction and the forward price, based on the date NJRES would return the borrowed gas inventory, should have been recognized into income on a ratable basis over the term of the park and loan agreement. In addition, demand fees related to these transactions were not but should have been recognized ratably over the term of the contract.

The Company made a quantitative and qualitative assessment of the impact of the error to its consolidated financial statements for the fiscal years ended September 30, 2009, September 30, 2008 and September 30, 2007 and for the consolidated balance sheets as of September 30, 2009 and September 30, 2008 and concluded that the resulting misstatements were not material. The cumulative error has been corrected in the fourth quarter of fiscal 2009. Accordingly, the quarterly amounts presented above for the fourth quarter of fiscal 2008 have been restated to include an increase in Gross margin and Operating income of $12.4 million, Net income of $7.6 million and a $0.19 and $0.18 increase in Basic and Diluted Earnings (loss) per share, respectively.

These errors have no impact on the economic value associated with the underlying forecasted transactions. There was no impact on reported cash flow from operations or liquidity.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision and with the participation of the Company's management, including the principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) (the Exchange Act), as of the end of the period covered by this report. Based on this evaluation, the Company's principal executive officer and principal financial officer concluded that, as of end of the period covered by this report, the Company's disclosure controls and procedures are effective, to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

In connection with the Company's preparation of its consolidated financial statements for the fiscal year ended September 30, 2009, the Company reassessed its accounting for park and loan transactions executed through the Company's unregulated subsidiary. NJRES enters into park and loan transactions whereby it borrows natural gas from a counterparty with an obligation to return the gas at a future date. The Company had been incorrectly accounting for gas in storage, gas purchase obligations, embedded derivatives and demand fees associated with these park and loan transactions. Specifically, NJR has been using a forward price to value the inventory and gas purchases liability associated with "park and loan" transactions. Both the natural gas that was received and the "park and loan" liability should have been initially valued at the spot price on the date NJRES received the gas. In addition, NJRES should have been accounting for the obligation to return the gas as an embedded derivative, which should have been fair valued ("marked to market") at each subsequent balance sheet reporting date until the gas was returned to the counterparty. As well, the initial spread between the spot price of the borrowed gas liability on the date of the transaction and the forward price, based on the date NJRES would return the natural gas, should have been recognized into income on a ratable basis over the term of the park and loan agreement. In addition, demand fees related to these transactions were not but should have been recognized ratably over the term of the contract. Management, in consultation with the Audit Committee, had concluded that the errors associated with the accounting for park and loan transactions constituted a material weakness in the Company's internal controls over financial reporting for the applicable periods that have been restated, but do not constitute a material weakness for the fiscal year ended September 30, 2009, because management through its existing disclosure controls and procedures identified the errors and corrected such errors.

The Company continually reviews its disclosure controls and procedures and makes changes, as necessary, to ensure the quality of its financial reporting. The Company's management has discussed these issues with the Company's Audit Committee.

Management's Annual Report on Internal Control over Financial Reporting

The report of management required under this ITEM 9A is contained in ITEM 8 of this Form 10-K under the caption "Management's Report on Internal Control over Financial Reporting."

Attestation Report of Registered Public Accounting Firm

The attestation report required under this ITEM 9A is contained in ITEM 8 of this 10-K under the caption "Report of Independent Registered Public Accounting Firm."

ITEM 9A. CONTROLS AND PROCEDURES (Continued)

Changes in Internal Control over Financial Reporting

During fiscal 2009, the Company implemented a remediation plan to address material weaknesses associated with the fair value of certain physical natural gas transactions and accounting for park and loan transactions. The remediation plan included the hiring of additional staff with the appropriate accounting technical expertise as well as the implementation of additional control procedures and oversight on its derivative transactions, which are outlined below. Management believes these additional measures remediated the material weaknesses as of September 30, 2009. The Company implemented the following measures during fiscal 2009 that were designed to substantially reduce the risk of a similar material weakness occurring in the future:

- expanded training, education and accounting reviews for all relevant personnel involved in the accounting treatment and disclosures for the Company's commodity transacting;
- investment in additional resources with appropriate accounting technical expertise, including the hiring of a Controller- Wholesale and Midstream Operations;
- improvements in the design of internal control over financial reporting related to the accounting of commodity transacting, resulting in the implementation of new and expanded processes and controls; and
- increased level of review and discussion of significant accounting matters and supporting documentation with senior finance management.

These were the only changes in the Company's internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) that occurred during the quarter ended September 30, 2009, that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this item, including information concerning the Board of Directors of the Company, the members of the Company's Audit Committee, the Company's Audit Committee Financial Expert, compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended, and shareholder proposals, is incorporated by reference to the Company's Proxy Statement for the 2010 Annual Meeting of Shareholders, which will be filed with Securities and Exchange Commission (SEC) pursuant to Regulation 14A within 120 days after September 30, 2009. The information regarding executive officers is included in this report following Item 4, as Item 4A, under the caption "Executive Officers of the Company."

The Board of Directors has adopted the Principal Executive Officer and Senior Financial Officers Code of Ethics governing the chief executive officer and senior financial officers, in compliance with the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley) and SEC regulations and the Code of Conduct, a code for all directors, officers and employees as required by the New York Stock Exchange, or NYSE, rules (collectively, the Codes). Copies of both Codes are available free of charge on the Company's website at http://investor.njresources.com under the caption "Corporate Governance." A printed copy of each Code is available free of charge to any shareholder who requests it by contacting the Corporate Secretary at 1415 Wyckoff Road, Wall, New Jersey 07719. The Company will disclose any amendments to, or waivers from, a provision of the Codes that applies to the principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions that relate to any element of the Codes as defined in Item 406 of Regulation S-K by posting such information on the Company's website.

Because the Company's common stock is listed on the NYSE, the chief executive officer is required to make, and he has made, an annual certification to the NYSE stating that he was not aware of any violation by the Company of the corporate governance listing standards of the NYSE. The chief executive officer made his annual certification to that effect to the NYSE as of February 12, 2009. In addition, the Company has filed, as exhibits to the Annual Report on Form 10-K, the certifications of the principal executive officer and principal financial officer required under Sections 906 and 302 of the Sarbanes-Oxley to be filed with the SEC regarding the quality of its public disclosure.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this Item is incorporated by reference from the Registrant's Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this Item is incorporated by reference from the Registrant's Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information required by this Item is incorporated by reference from the Registrant's Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this Item is incorporated by reference from the Registrant's Proxy Statement.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. Financial Statements.

All Financial Statements of the Registrant are filed as part of this report and included in Item 8 of Part II of this Form 10-K.

(a) 2. Financial Statement Schedules–See *Index to Financial Statement Schedules* in Item 8.

(a) 3. Exhibits–See *Exhibit Index* on page 109.

New Jersey Resources Corporation

INDEX TO FINANCIAL STATEMENT SCHEDULES

	Page
Schedule I—Condensed financial information of registrant for each of the three years in the period ended September 30, 2009	105
Schedule II—Valuation and qualifying accounts and reserves for each of the three years in the period ended September 30, 2009	106

Schedules other than those listed above are omitted because they are not required or are not applicable, or the required information is shown in the financial statements or notes thereto.

SCHEDULE I

NEW JERSEY RESOURCES CORPORATION (Parent Company)
CONDENSED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2009, 2008 and 2007

STATEMENTS OF INCOME

(Thousands)

Fiscal Years Ended September 30,	**2009**	2008	2007
Operating revenues	$ —	$ —	$ —
Operating expenses	**9,159**	8,667	9,068
Operating loss	**(9,159)**	(8,667)	(9,068)
Other income	**9,980**	10,023	10,589
Interest expense	**276**	1,348	1,802
Income (loss) before income taxes and equity in earnings of affiliates	**545**	8	(281)
Income tax provision (benefit)	**230**	(51)	(122)
Equity in earnings of subsidiaries, net of tax	**26,927**	109,109	63,092
Net income	**$ 27,242**	$ 109,168	$ 62,933

STATEMENTS OF CASH FLOWS

(Thousands)

Fiscal Years Ended September 30,	**2009**	2008	2007
Net cash provided by operating activities	**$ 52,971**	$ 59,144	$ 33,479
Cash flows (used in) provided by investing activities:			
Net repayments from associated companies	**$ (34,085)**	$ 9,584	$ 89,529
Investments in affiliates	**(46,184)**	(23,500)	(55,805)
Cash flows (used in) provided by investing activities	**$ (80,269)**	$ (13,916)	$ 33,724
Cash flows from financing activities:			
(Payments) proceeds from long-term debt	**$ (25,000)**	$ (493)	$ 50,000
Tax benefit from stock options exercised	**1,686**	630	1,761
Proceeds from common stock	**16,441**	16,028	18,515
Net borrowings from associated companies	**5,187**	2,472	2,941
Purchases of treasury stock	**(30,670)**	(11,039)	(9,024)
Payments of common stock dividends	**(50,967)**	(45,201)	(42,446)
Net proceeds (payments) of short-term debt	**110,700**	(7,550)	(88,950)
Cash flows from (used in) financing activities	**$ 27,377**	$ (45,153)	$ (67,203)
Change in cash and temporary investments	**$ 79**	$ 75	$ —
Cash and temporary investments, beginning of year	**75**	—	—
Cash and temporary investments, end of year	**$ 154**	$ 75	$ —

SCHEDULE I

NEW JERSEY RESOURCES CORPORATION (Parent Company)
CONDENSED FINANCIAL STATEMENTS (Continued)

BALANCE SHEETS

(Thousands)

September 30,	2009	2008
ASSETS		
Current assets	**$ 18,130**	$ 16,377
Investments	**710,102**	737,585
Intercompany receivable, net	**170,462**	106,587
Deferred charges and other assets	**2,456**	2,511
Total assets	**$ 901,150**	$ 863,060
CAPITALIZATION AND LIABILITIES		
Current liabilities *(1)*	**$ 158,193**	$ 81,039
Long-term debt	**50,000**	50,000
Deferred credits and other liabilities	**3,231**	3,954
Common stock equity	**689,726**	728,067
Total capitalization and liabilities	**$ 901,150**	$ 863,060

(1) Includes current portion of long-term debt.

NOTE TO CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

Pursuant to rules and regulations of the Securities and Exchange Commission (SEC), the unconsolidated condensed financial statements of New Jersey Resources Corporation do not reflect all of the information and notes normally included with financial statements prepared in accordance with accounting principles generally accepted in the United States of America. Therefore, these condensed financial statements should be read in conjunction with the consolidated financial statements and related notes included in this Form 10-K.

NJR has accounted for the earnings of its subsidiaries under the equity method in these unconsolidated condensed financial statements. Cash dividends paid to NJR from its subsidiaries were $51 million, $45.2 million and $41.9 million during fiscal 2009, 2008 and 2007 respectively.

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS
YEARS ENDED SEPTEMBER 30, 2009, 2008 and 2007

(Thousands)

CLASSIFICATION	BEGINNING BALANCE	ADDITIONS CHARGED TO EXPENSE	OTHER *(1)*	ENDING BALANCE
2009:				
Regulatory asset reserve	**$ 102**	$ —	**$ 180**	**$ 282**
Allowance for Doubtful Accounts	**$ 4,580**	**$ 9,588**	**$ (8,104)**	**$ 6,064**
2008:				
Regulatory asset reserve	$ 2,703	$ 529	$ (3,130)	$ 102
Allowance for Doubtful Accounts	$ 3,166	$ 4,422	$ (3,008)	$ 4,580
2007:				
Regulatory asset reserve	$ 678	$ 2,025	$ —	$ 2,703
Allowance for Doubtful Accounts	$ 2,679	$ 3,174	$ (2,687)	$ 3,166

(1) Uncollectible accounts written off, less recoveries and adjustments.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NEW JERSEY RESOURCES CORPORATION
(Registrant)

Date: November 30, 2009

By:/s/ Glenn C. Lockwood
Glenn C. Lockwood
Senior Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated:

November 30, 2009	/s/ Laurence M. Downes Laurence M. Downes Chairman, President and Chief Executive Officer Director	November 30, 2009	/s/ Alfred C. Koeppe Alfred C. Koeppe Director
November 30, 2009	/s/ Nina Aversano Nina Aversano Director	November 30, 2009	/s/ Glenn C. Lockwood Glenn C. Lockwood Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
November 30, 2009	/s/ Lawrence R. Codey Lawrence R. Codey Director	November 30, 2009	/s/ J. Terry Strange J. Terry Strange Director
November 30, 2009	/s/ Donald L. Correll Donald L. Correll Director	November 30, 2009	/s/ David A. Trice David A. Trice Director
November 30, 2009	/s/ Robert B. Evans Robert B. Evans Director	November 30, 2009	/s/ William H. Turner William H. Turner Director
November 30, 2009	/s/ M. William Howard, Jr. M. William Howard, Jr. Director	November 30, 2009	/s/ George R. Zoffinger George R. Zoffinger Director
November 30, 2009	/s/ Jane M. Kenny Jane M. Kenny Director		

New Jersey Resources Corporation

EXHIBIT INDEX

Exhibit Number	Exhibit Description
3.1	Certificate of Incorporation of the Company, as amended (incorporated by reference to Exhibit 3-1 to the Annual Report on Form 10-K for the year ended September 30, 1996, as filed on December 30, 1996 and Exhibit 3.1 to the Current Report on Form 8-K, as filed on March 6, 2008)
3.2	By-Laws of the Company, as amended on July 14, 2009 (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K, as filed on July 20, 2009)
4.1	Specimen Common Stock Certificates (incorporated by reference to Exhibit 4-1 to Registration Statement No. 033-21872)
4.2	Indenture of Mortgage and Deed of Trust between NJNG and Harris Trust and Savings Bank, as Trustee, dated April 1, 1952, as supplemented by twenty-one Supplemental Indentures (incorporated by reference to Exhibit 4(g) to Registration Statement No. 002-9569)
4.2(a)	Twenty-Fifth Supplemental Indenture, dated as of July 15, 1995 (incorporated by reference to Exhibit 4.2(Y) to the Annual Report on Form 10-K for the year ended September 30, 1995, as filed on December 29, 1995)
4.2(b)	Twenty-Sixth Supplemental Indenture, dated as of October 1, 1995 (incorporated by reference to Exhibit 4.2(X) to the Annual Report on Form 10-K for the year ended September 30, 1995, as filed on December 29, 1995)
4.2(c)	Twenty-Seventh Supplemental Indenture, dated as of September 1, 1997 (incorporated by reference to Exhibit 4.2(J) to the Annual Report on Form 10-K as filed on December 29, 1997)
4.2(d)	Twenty-Eighth Supplemental Indenture, dated as of January 1, 1998 (incorporated by reference to Exhibit 4.2(K) to the Annual Report on Form 10-K for the year ended September 30, 1998, as filed on December 24, 1998)
4.2(e)	Twenty-Ninth Supplemental Indenture, dated as of April 1, 1998 (incorporated by reference to Exhibit 4.2(L) to the Annual Report on Form 10-K for the year ended September 30, 1988, as filed on December 24, 1998)
4.2(f)	Thirtieth Supplemental Indenture, dated as of December 1, 2003 (incorporated by reference to Exhibit 4.2(J) to the Annual Report on Form 10-K for the year ended September 30, 2003, as filed on December 16, 2003)
4.2(g)	Thirty-First Supplemental Indenture, dated as of October 1, 2005 (incorporated by reference to Exhibit 4.2(I) to the Annual Report on Form 10-K for the year ended September 30, 2005, as filed on November 29, 2005)
4.2(h)	Thirty-Second Supplemental Indenture, dated as of May 1, 2008 (incorporated by reference to Exhibit 4.2(i) to the Current Report on Form 8-K, as filed on May 20, 2008)
4.3	$225,000,000 Revolving Credit Facility Credit Agreement (the "$225,000,000 Revolving Credit Facility") by and among NJNG, PNC Bank, NA as Administrative Agent, the banks party thereto, JPMorgan Chase Bank, NA and Fleet National Bank, as Syndication Agents, Bank Of Tokyo-Mitsubishi Trust Company and Citicorp North America, Inc., As Documentation Agents and PNC Capital Markets, Inc., as Lead Arranger, dated as of December 16, 2004 (incorporated by reference to Exhibit 4-2 to the Quarterly Report on Form 10-Q as filed on February 7, 2005)
4.3(a)	First Amendment dated as of August 31, 2005 to the $225,000,000 Revolving Credit Facility, dated as of December 16, 2004 (incorporated by reference to Exhibit 4-3A to the Annual Report on Form 10-K for the year ended September 30, 2005, as filed on November 29, 2005)
4.3(b)	Second Amendment and Consent dated as of November 15, 2005 to the $225,000,000 Revolving Credit Facility, dated as of December 16, 2004 (incorporated by reference to Exhibit 4-3B to the Annual Report on Form 10-K for the year ended September 30, 2005, as filed on November 29, 2005)
4.4	$325,000,000 Revolving Credit Facility Credit Agreement (the "$325,000,000 Revolving Credit Facility") by and among the Company, the guarantors thereto, PNC Bank, NA as Administrative Agent, the banks party thereto, JPMorgan Chase Bank, NA and l Bank of America, N.A., as Syndication Agents, Bank Of Nova Scotia and Citibank, N.A., as Documentation Agents and PNC Capital Markets LLC., as Lead Arranger, dated as of December 13, 2007 (incorporated by reference to Exhibit 4.9 to the Quarterly Report on Form 10-Q as filed on February 6, 2008)

New Jersey Resources Corporation

Exhibit Number	Exhibit Description
4.6	$60,000,000 Note Purchase Agreement by and among NJNG and J.P. Morgan Securities Inc., as Placement Agent, dated March 15, 2004 (incorporated by reference to Exhibit 4-1 to the Quarterly Report on Form 10-Q as filed on May 10, 2004)
4.8	$50,000,000 Note Purchase Agreement dated as of September 24, 2007, by and among the Company, New York Life Insurance Company and New York Life Insurance and Annuity Company (incorporated by reference to Exhibit 4.8 to the Annual Report on Form 10-K as filed on December 10, 2007)
4.9	$125,000,000 Note Purchase Agreement dated as of May 15, 2008, by and among New Jersey Natural Gas Company and the Purchasers party thereto (incorporated by reference to Exhibit 4.9 to the Current Report on Form 8-K, as filed on May 20, 2008)
10.2**	Retirement Plan for Represented Employees, as amended on October 1, 1984 (incorporated by reference to Registration Statement No. 002-73181)
10.3**	Retirement Plan for Non-Represented Employees, as amended October 1, 1985 (incorporated by reference to Registration Statement No. 002-73181)
10.4**	Amended and Restated Supplemental Executive Retirement Plan Agreement between the Company and Laurence M. Downes dated December 31, 2008 (incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q, as filed on February 6, 2009)
10.4(a)**	Schedule of Supplemental Executive Retirement Plan Agreements for named executive officers (incorporated by reference to Exhibit 10.4(a) to the Quarterly Report on Form 10-Q, as filed on February 6, 2009)
10.4(b)**	Form of Amendment of Supplemental Executive Retirement Plan Agreement between the Company and Named Executive Officer (for future use) (incorporated by reference to Exhibit 10.4(b) to the Quarterly Report on Form 10-Q, as filed on February 6, 2009)
10.5(b)	Service Agreement for Rate Schedule SS-1by and between NJNG and Texas Eastern Transmission Company, dated as of June 21, 1995 (incorporated by reference to Exhibit 10-5B to the Annual Report on Form 10-K for the year ended September 30, 1996, as filed on December 30, 1996)
10.6**	The Company's Officer Incentive Plan effective as of October 1, 1986 (incorporated by reference to Exhibit 10-6 to the Annual Report on Form 10-K for the year ended September 30, 1996, as filed on December 30, 1996)
10.7	Lease Agreement between NJNG, as Lessee and State Street Bank and Trust Company of Connecticut, National Association, as Lessor for NJNG's Headquarters Building dated December 21, 1995 (incorporated by reference to Exhibit 10-7 to the Annual Report on Form 10-K for the year ended September 30, 1996, as filed on December 30, 1996)
10.10**	The Company's Long-Term Incentive Compensation Plan, as amended, effective as of October 1, 1995 (incorporated by reference to Appendix A to the Proxy Statement for the 1996 Annual Meeting as filed on January 4, 1996)
10.12**	Employment Continuation Agreement between the Company and Laurence M. Downes dated December 31, 2008 (incorporated by reference to Exhibit 10.12 to the Quarterly Report on Form 10-Q, as filed on February 6, 2009)
10.12(a)**	Schedule of Employee Continuation Agreements (incorporated by reference to Exhibit 10.12(a) to the Quarterly Report on Form 10-Q, as filed on February 6, 2009)
10.16**	Summary of Company's Non-Employee Director Compensation (incorporated by reference to Exhibit 10.16 to the Current Report on Form 8-K as filed on November 13, 2008)
10.17**	The Company's 2007 Stock Award and Incentive Plan (as amended and restated January 1, 2009) (incorporated by reference to Exhibit 10.17 to the Quarterly Report on Form 10-Q, as filed on February 6, 2009)
10.18**	2007 Stock Award and Incentive Plan Form of Stock Option Agreement (incorporated by reference to Exhibit 10.18 to the Quarterly Report on Form 10-Q, as filed on February 6, 2009)

New Jersey Resources Corporation

Exhibit Number	Exhibit Description
10.19**	2007 Stock Award and Incentive Plan Form of Performance Units Agreement (incorporated by reference to Exhibit 10.19 to the Quarterly Report on Form 10-Q, as filed on February 6, 2009)
10.20**	2007 Stock Award and Incentive Plan Form of Restricted Stock Agreement (incorporated by reference to Exhibit 10.20 to the Quarterly Report on Form 10-Q, as filed on February 6, 2009)
10.21**	2007 Stock Award and Incentive Plan Form of Performance Share Agreement (incorporated by reference to Exhibit 10.21 to the Quarterly Report on Form 10-Q, as filed on February 6, 2009)
10.22**	2007 Stock Award and Incentive Plan Form of Performance-Based Restricted Stock Agreement (incorporated by reference to Exhibit 10.29 to the Current Report on Form 8-K, as filed on April 1, 2009)
10.23	Limited Liability Company Agreement of Steckman Ridge GP, LLC dated as of March 2, 2007 (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q, as filed on May 3, 2007)
10.24	Limited Partnership Agreement of Steckman Ridge, LP dated as of March 2, 2007 (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q, as filed on May 3, 2007)
10.25**	2007 Stock Award and Incentive Plan Form of Deferred Stock Retention Award Agreement between NJRES and Joseph P. Shields dated as of December 31, 2008 (incorporated by reference to Exhibit 10.25 to the Current Report on Form 8-K as filed on January 7, 2009)
10.26**	2007 Stock Award and Incentive Plan Form of Deferred Stock Retention Award Agreement between NJNG and Kathleen T. Ellis dated as of December 31, 2008 (incorporated by reference to Exhibit 10.26 to the Current Report on Form 8-K as filed on January 7, 2009)
10.27**	New Jersey Resources Corporation Savings Equalization Plan (incorporated by reference to Exhibit 10.27 to the Quarterly Report on Form 10-Q, as filed on February 6, 2009)
10.28**	New Jersey Resources Corporation Pension Equalization Plan (incorporated by reference to Exhibit 10.28 to the Quarterly Report on Form 10-Q, as filed on February 6, 2009)
10.29**	New Jersey Resources Corporation Directors' Deferred Compensation Plan (incorporated by reference to Exhibit 10.25 to the Quarterly Report on Form 10-Q, as filed on February 6, 2009)
10.30**	New Jersey Resources Corporation Officers' Deferred Compensation Plan (incorporated by reference to Exhibit 10.26 to the Quarterly Report on Form 10-Q, as filed on February 6, 2009)
21.1 *	Subsidiaries of the Registrant
23.1 *	Consent of Independent Registered Public Accounting Firm
31.1 *	Certification of the Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act
31.2 *	Certification of the Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act
32.1 *†	Certification of the Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act
32.2 *†	Certification of the Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act

* Filed herewith
** Denotes compensatory plans or arrangements or management contracts

† This certificate accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 or any other provision of the Securities Exchange Act of 1934, as amended.

NEW JERSEY RESOURCES CORPORATION

EXHIBIT 21.1

SUBSIDIARIES OF THE REGISTRANT

SUBSIDIARY	STATE OF INCORPORATION
New Jersey Natural Gas Company	New Jersey
NJR Service Corporation	New Jersey
NJR Energy Services Company	New Jersey
NJR Energy Investments Corporation (f/k/a NJR Capital Services Corp.) Subsidiaries:	New Jersey
NJR Energy Corporation	New Jersey
NJR Energy Holdings Corporation Subsidiaries:	New Jersey
NJNR Pipeline Company	New Jersey
NJR Pipeline Company	New Jersey
NJR Storage Holdings Company Subsidiary:	Delaware
NJR Steckman Ridge Storage Company Subsidiaries:	Delaware
Steckman Ridge GP, LLC (Limited Liability Company)	Delaware
Steckman Ridge, LP (Limited Partnership)	Delaware
NJR Investment Company	New Jersey
NJR Clean Energy Ventures Corporation	New Jersey
NJR Retail Holdings Corporation Subsidiaries:	New Jersey
Commercial Realty & Resources Corp.	New Jersey
NJR Home Services Company	New Jersey
NJR Plumbing Services, Inc.	New Jersey

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 033-52409, 333-59013, 333-38808, 333-133453 and 333-140352 on Form S-8, Registration Statement No. 033-5711 on Form S-3, as amended, and Registration Statement No. 333-137320 on Form S-3D of our reports dated November 30, 2009, relating to the consolidated financial statements and financial statement schedules of New Jersey Resources Corporation and subsidiaries ("the Company"), and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended September 30, 2009.

/s/ Deloitte & Touche, LLP
Parsippany, New Jersey

November 30, 2009

EXHIBIT 31.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Laurence M. Downes, certify that:

1) I have reviewed this Annual Report on Form 10-K of New Jersey Resources Corporation for the fiscal year ended September 30, 2009;

2) Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;

3) Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Annual Report;

4) The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the Registrant and have:

   a.) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Annual Report is being prepared;

   b.) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c.) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Annual Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Annual Report based on such evaluation;

   d.) disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to adversely affect, the Registrant’s internal control over financial reporting; and

5) The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):

   a.) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b.) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 30, 2009

By: /s/ Laurence M. Downes
Laurence M. Downes
Chairman & Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Glenn C. Lockwood , certify that:

1) I have reviewed this Annual Report on Form 10-K of New Jersey Resources Corporation for the fiscal year ended September 30, 2009;

2) Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;

3) Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Annual Report;

4) The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the Registrant and have:

   a.) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Annual Report is being prepared;

   b.) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c.) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Annual Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Annual Report based on such evaluation;

   d.) disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to adversely affect, the Registrant’s internal control over financial reporting; and

5) The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):

   a.) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b.) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 30, 2009

By: /s/ Glenn C. Lockwood
Glenn C. Lockwood
Senior Vice President and Chief Financial Officer

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED
PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, Laurence M. Downes hereby certifies as follows:

(a) I am the Chief Executive Officer of New Jersey Resources Corporation (the "Company");

(b) To the best of my knowledge, the Company's Annual Report on Form 10-K for the year ended September 30, 2009 (the "Report") fully complies with the requirements of Section 13(a) or section 15(d) of the Securities Exchange Act of 1934, as amended; and

(c) To the best of my knowledge, based upon a review of the Report, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

NEW JERSEY RESOURCES CORPORATION

Date: November 30, 2009

By: /s/ Laurence M. Downes
Laurence M. Downes
Chairman and Chief Executive Officer

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED
PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, Glenn C. Lockwood hereby certifies as follows:

(a) I am the Chief Financial Officer of New Jersey Resources Corporation (the "Company");

(b) To the best of my knowledge, the Company's Annual Report on Form 10-K for the year ended September 30, 2009 (the "Report") fully complies with the requirements of Section 13(a) or section 15(d) of the Securities Exchange Act of 1934, as amended; and

(c) To the best of my knowledge, based upon a review of the Report, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

NEW JERSEY RESOURCES CORPORATION

Date: November 30, 2009

By: /s/ Glenn C. Lockwood
Glenn C. Lockwood
Senior Vice President and Chief Financial Officer